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ECONOMIC INDICATORS

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Outlook for the Hawaiian Economy in 1987

Led by the visitor and construction industries, the Hawaiian economy is roaring ahead at growth rates that could approach the record growth levels of 1984. However, conditions in the United States, Japanese, and Canadian economies and our country's fiscal policies will begin to warrant a more cautious attitude toward Hawaii's growth prospects in 1987.

Continuing slow growth in the national economy could begin to affect Hawaii's westbound visitor counts. Japanese visitors will be encouraged by the appreciation of the yen against the dollar. But, the slowdown in the Japanese economy could reduce potential visitors to Hawaii. Tax reform could have mixed results for the visitor, construction, and real estate industries. Likewise, efforts toward federal deficit reduction will continue to withdraw resources from Hawaii's military sector.

As a whole, the Hawaiian economy has been doing extremely well during 1986. Gross business receipts, a measure of overall business activity in the economy, grew by 8 percent to $19.8 billion in the period between January and September of 1986, compared to the same period in 1985. Given a low inflation rate of 2 percent, real growth in business activity stood at 6 percent. Meanwhile, the unemployment rate fell to 4.5 percent, and the total number of jobs in the state saw a healthy 4-percent increase. Total personal income, adjusted for inflation, grew by 4 percent in the first half of 1986.

The major contributor to Hawaii's positive performance was the visitor industry. In November, the total cumulative overnight-and-longer visitor counts to Hawaii hit the 5 million mark, up by 14 percent over the same period in 1985. Growth was particularly strong in the westbound segment, which was up by 16 percent, while the eastbound segment grew by 12 percent.

The outlook for 1987 will be subject to conflicting factors. Westbound visitor growth rates will most likely slow down due to expected sluggish growth in the visitor industry's major market areas, including California, Chicago, and the Dallas/Fort Worth metropolitan areas. Tax reform will have mixed benefits. Lower tax rates will create greater household after-tax income for some, but higher-income taxpayers will lose many personal deductions. Because the loss of deductions begins in 1987, while lower tax rates are not phased in until 1988 and 1989, the negative impact will be felt in 1987. Phasing out interest deductions on credit-card purchases by visitors, as well as deductions for business-related travel could negatively impact Hawaii's business-related travel, which comprises roughly 13 percent of Hawaii's westbound visitors. The impact on businesses is unclear. Loss of investment tax credits by capital-intensive businesses such as restaurants, car rental, and bus companies could result in higher prices to visitors. International oil prices have already begun to increase, as well as airfares by major air carriers.

The Japanese visitor market will be affected by a slowdown in its economy as exports to the United States decline. Canada, which depends heavily on trade with the U.S., will also be affected. These areas are principal market areas for Hawaii's visitor industry.

Given these conditions, the effect should be a slowdown from the double-digit growth of 1986 to overall visitor growth rates within the 4- to 8-percent range in 1987.

Construction and real estate were the other areas of strength in Hawaii's economy in 1986. Between January and September, growth in construction-put-in-place, adjusted for inflation, stood at a very strong 29 percent compared to the same period in 1985. Meanwhile, the real estate industry was experiencing a 19-percent increase in the sales of single-family homes and a 16-percent increase in the sales of condominium units, compared to the same period in 1985.

The prospects for construction and real estate are mixed. Low interest rates will help, but interest rates are expected to trend upwards in 1987. Tax reform could have some adverse effects. Deletion of the investment tax credit, lengthening of depreciation schedules, and the elimination of tax shelters could affect investment in nonresidential construction. The elimination of preferential tax rates on capital gains could also affect real estate sales. Thus, growth in construction should most likely fall back into the 10- to 20-percent range, while overall real estate sales should grow between 5 to 10 percent in 1987.

The one weak sector was the military. As of the third quarter of 1986, total appropriated military funds were down 9 percent from the previous year. Given the current status of deficit-reduction measures in Congress, the probability of an improvement in prospects does not appear high.

In conclusion, Hawaii's economy appears to be in good health as we near the end of 1986. The outcome for 1987 is less certain. What is clear is that next year will be a year of transition, as the U.S., Japanese, and Canadian economies adjust to slower growth, and consumers, households, and businesses adjust to a new tax system. However, the prospects for positive growth in the Hawaiian economy in 1987 are good, despite the slowdown in growth rates. The overall outlook is thus for positive, but moderate growth in the year ahead.

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NOVEMBER/DECEMBER FEATURE STORY: HAWAII'S GROWING INFRASTRUCTURE NEEDS

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CURRENT BUSINESS TRENDS

In general, the Hawaiian economy continued its wave of steady growth through the third quarter of 1986. Gross business receipts for the state rose to $19.8 billion, up 8 percent, on a cumulative basis, from the third quarter of 1985. Kauai had the greatest increase in gross business receipts at 28 percent, primarily due to its recent boom in tourism.

Tax collections were up as well. Cumulative total tax collections for the state stood at $1.2 billion, up 12 percent from the third-quarter cumulative average of 1985. Kauai lead the state with an increase in tax revenues of 35 percent from 1985.

Employment figures remained promising through the third quarter. The civilian labor force grew to 485,000 and the number of persons employed topped out at 463,000 in September. Unemployment figures looked even more promising with the number of unemployed persons declining to 21,800, down 17 percent from the third quarter of 1985. As a result, the unemployment rate fell to 4.5 percent, down 18 percent from September of 1985.

Another indicator of continued economic expansion shows up in banking statistics. Monthly bank deposits, through September, averaged 12 percent above the same period last year. Debits to demand deposits, which measures checking account activity in the economy, averaged 12 percent above 1985, excluding Kauai. Kauai showed even greater growth in debits to demand deposits to $1.3 million, up 30 percent from the third quarter of 1985. This increase in available funds will be conducive to the further expansion of the Kauai economy.

Tourism, Hawaii's largest industry, showed no signs of slowing through the third quarter with unusually high off-

u. s. economic indicators

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	3rd Qtr.	4,234p	1.4	5.0
In 1982 Dollars	bil. $	3rd Qtr.	3,683p	0.6	2.2
PERSONAL INCOME**	bil. $	September	3,512p	0.3	5.3
INTEREST RATES					
AVERAGE PRIME RATE	percent	October	7.50	0.0	−21.1
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	August	382.2r	1.1	8.2
CONSTRUCTION COST INDEXES:					
Residences	1967 = 100	July	374.8	0.5¹	1.6
Apts., Hotels, Office Bldgs.	1967 = 100	July	372.3	0.4¹	1.6
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	September	109,891	−0.2	2.2
UNEMPLOYMENT*	thous.	September	8,329	3.8	0.7
UNEMPLOYMENT RATE*	percent	September	6.9	3.0	−2.8
PRICES					
CONSUMER PRICE INDEXES:					
Wage Earners and Clerical Workers	1967 = 100	October	325.0	0.0	1.2
All Urban Consumers	1967 = 100	October	330.5	0.1	1.5
PRODUCER PRICE INDEXES:					
Finished Goods*	1967 = 100	September	289.3p	0.4	−0.9
All Commodities	1967 = 100	August	297.2p	−0.2	−3.3

r = revised.
p = preliminary.
¹Compared to May, 1986.
*Seasonally adjusted.
**Seasonally adjusted at annual rates.

business activity in hawaii

BUSINESS SALES					
GROSS BUSINESS RECEIPTS:					
STATE	mil. $	Jan.-Sept.	19,847.8	.....	7.5
Oahu	mil. $	Jan.-Sept.	16,637.4	.....	7.0
Maui County	mil. $	Jan.-Sept.	1,389.1	.....	8.0
Hawaii	mil. $	Jan.-Sept.	1,249.0	.....	6.2
Kauai	mil. $	Jan.-Sept.	572.3	.....	27.8
DIVERSIFIED MANUFACTURING	mil. $	Jan.-Sept.	422.9	.....	6.7
DIVERSIFIED AGRICULTURE	mil. $	Jan.-Sept.	192.8	.....	0.6
RETAILING	mil. $	Jan.-Sept.	7,201.4	.....	7.3
WHOLESALING	mil. $	Jan.-Sept.	4,728.3	.....	4.7
SERVICES	mil. $	Jan.-Sept.	4,827.1	.....	8.2
OAHU NEW CAR SALES	number	September	23,894p	.....	−21.4
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX:					
Wage Earners and Clerical Workers	1967 = 100	October	308.8	0.1¹	2.0
All Urban Consumers	1967 = 100	October	302.2	0.1¹	2.2
TOURISM					
VISITOR EXPENDITURES	mil. $	1985	4,884p	.....	6.6
OVERNIGHT OR LONGER VISITORS	number	September	391,770p	−28.5	13.8
	number	Jan.-Sept.	4,247,940p	.....	14.9
Westbound	number	September	289,240p	−29.0	13.1
	number	Jan.-Sept.	3,248,740p	.....	15.6
Eastbound	number	September	102,530p	−26.9	15.7
	number	Jan.-Sept.	999,200p	.....	12.5
AVERAGE DAILY VISITOR CENSUS	number	Jan.-Sept.	119,540p	.....	14.1
AVERAGE LENGTH OF STAY	no. of days	Jan.-Sept.	10.0p	.....	−2.0
MEETING ATTENDANCE	number	Jan.-Sept.	168,105	.....	−8.6
ORGANIZED GROUP TOURS	number	Jan.-Sept.	650,660p	.....	1.2
VISITOR COUNT BY COUNTY²					
Oahu	number	September	216,850p	−29.0	7.8
	number	Jan.-Sept.	2,410,980p	.....	12.2
Maui County	number	September	139,100p	−25.7	6.7
	number	Jan.-Sept.	1,531,990p	.....	9.2
Hawaii	number	September	52,750p	−17.1	11.5
	number	Jan.-Sept.	587,620p	.....	11.9
Kauai	number	September	77,480p	−16.9	19.5
	number	Jan.-Sept.	768,290p	.....	21.3

p = preliminary. ¹Compared to April, 1986.
²Estimated Westbound.

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
VISITOR ACCOMMODATIONS					
STATE	number	Feb., 1986	66,308	.....	0.6
Oahu	number	Feb., 1986	39,010	.....	1.1
Waikiki	number	Feb., 1986	34,650	.....	2.3
Maui (Island)	number	Feb., 1986	13,451	.....	−0.5
Molokai	number	Feb., 1986	635	.....	1.3
Lanai	number	Feb., 1986	10	.....	0.0
Hawaii	number	Feb., 1986	7,280	.....	−3.1
Kauai	number	Feb., 1986	5,922	.....	4.7
HOTEL OCCUPANCY					
STATE	percent	September	72.8	−16.6	7.7
		Jan.-Sept.	83.0	.....	7.4
Oahu	percent	September	76.1	−17.3	3.7
		Jan.-Sept.	86.7	.....	4.8
Maui (Island)	percent	September	72.8	−14.0	3.7
		Jan.-Sept.	83.3	.....	4.3
Hawaii	percent	September	52.7	−21.2	16.3
		Jan.-Sept.	63.6	.....	9.8
Kauai	percent	September	71.4	−14.1	22.7
		Jan.-Sept.	79.7	.....	18.8
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	Yr. to 3rd Qtr.	1,409.9	.....	−8.9
Military Payroll	mil. $	Yr. to 3rd Qtr.	624.5	.....	−3.5
Civilian Payroll	mil. $	Yr. to 3rd Qtr.	455.2	.....	0.0
Local Purchases	mil. $	Yr. to 3rd Qtr.	330.1	.....	−25.7
SUGAR					
VALUE OF CROP SALES					
(Unprocessed Cane)	mil. $	1985	222.4	.....	−13.2
SUGAR PRODUCTION	thous. tons	Jan.-Oct.	908.7	.....	0.0
AVERAGE N. Y. RAW SUGAR PRICE	$/ton	Jan.-Oct.	416.6p	.....	1.3
PINEAPPLE					
VALUE OF CROP SALES					
(Fresh Equivalent)	thous. $	1985	90.5	.....	0.7
SHIPMENTS: FRESH	thous. lbs.	Jan.-Oct.	204.7	.....	−3.6
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	1985	132,126	.....	12.6
FLOWERS & NURSERY PRODUCTS	thous. $	1985	44,247	.....	13.7
Anthurium Outshipments[2]	th. dozens	Jan.-Sept.	1,335.2	.....	18.6
Potted Foliage Plants	thous. $	1985	12,019	.....	19.6
FRUITS & NUTS	thous. $	1985	43,244	.....	9.7
Papaya Sales	th. lbs.	Jan.-Oct.	40,870	.....	−3.9
Average Farm Price	cents/lb.	October	18.0	−37.9	12.5
Macadamia Nut Sales (in shell)	th. lbs.	1985	42,000	.....	11.4
Average Farm Price	cents/lb.	1985	72.5	.....	4.8
VEGETABLES AND MELONS[3]	th. lbs.	Jan.-Oct.	58,703p	.....	2.7
LIVESTOCK	thous. $	1985	82,821	.....	−4.8
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Aug.	22,036	.....	−1.3
Average Farm Price (Feedlot Beef)	cents/lb.	August	83.0	5.1	9.2
HOG PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Sept.	4,658	.....	2.1
Average Farm Price	cents/lb.	September	104.5	1.0	1.5
MILK PRODUCTION	mil. lbs.	Jan.-Aug.	105.9	.....	10.5
Average Price Sold to Plants	$/100 lbs.	August	20.10	4.9	−0.9
EGG PRODUCTION	mil.	Jan.-Sept.	170.5	.....	3.6
Average Farm Price	cents/doz.	September	77.0	0.0	18.5
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	Jan.-Oct.	6,132.0	.....	4.5
GAS SALES	th. therms.	Jan.-Oct.	40,176	.....	−0.3
TELEPHONE LINES IN SERVICE	thous.	October	476.3	.....	3.0

p = preliminary.
[2] From Hawaii County.
[3] Includes snap beans, cabbage, celery, sweet corn, cucumbers, onions, green peppers, tomatoes, and watermelons.

season numbers. Overnight and longer visitors topped the 5 million mark in November, up 14 percent from the same period last year. Steady growth was also reflected by increased hotel occupancy rates, up from the third quarter of 1985, with Kauai leading the state up 20 percent from last year.

The construction industry continued to ride the coattails of a strong overall Hawaiian economy and low credit costs. At the end of the third quarter, construction-put-in-place stood at $1.2 billion, up 43 percent from the third quarter of 1985. The value of private permits, though, were on a month to month decline and the single family construction cost index was up 4 percent from the second quarter. These factors may indicate slowed growth in residential construction in the coming months. On the other hand, public construction may be headed into a boom period. Public contracts awarded, through October, were valued at $393 million for the state. This was a 74 percent increase over the same period last year.

Conventional home mortgage rates, averaging 10 percent, continued to fuel the surging real estate market statewide. Steady growth in housing resales are still being experienced on all islands. Single-family unit resales were up 37 percent and condominiums were up 35 percent from the third quarter of 1985. The dramatic growth of Kauai's single-family housing resales, up 142 percent from the second quarter and 64 percent from last year, may be attributed to the tourism-led growth of Kauai's economy and the subsequent rise in housing demand.

The sugar industry will set a new record in production again this year. But this will be offset by deflated sugar prices due to intense foreign competition and ever increasing usage of sugar substitutes. Barring substantial U.S. quotas on sugar imports there is little relief in sight from foreign competition.

Diversified agriculture, in general, fared well through the third quarter of 1986. Employment in the agriculture industry along with overall production showed steady monthly increases over the year. Total anthurium outshipments stood at 1.33 million dozen through September, an increase of 18 percent from the previous year. Vegetable and melon production figures looked good as well, with a third quarter cumulative total of 54.3 million pounds. Papaya production rebounded somewhat from an early year storm, but still lagged slightly behind last year's figures.

HAWAII'S GROWING INFRASTRUCTURE NEEDS

Hawaii has experienced rapid population growth in the past 25 years. From 632,800 persons in 1960, the state's resident population increased to over 1 million persons in 1985. Growth of the visitor industry has also contributed to the increase in the population of the state. From less than 10,000 visitors per day in 1960, the average visitor census count has risen to 116,700 visitors per day in 1985. One out of eleven people in the state today is an out-of-state visitor. Much of this growth in population and tourism has occurred on Oahu. However, the Neighbor Islands have experienced even higher population and visitor growth over the years.

As a result, pressure has been mounting on existing sewage and refuse disposal systems, roadways, and water supply systems throughout the state.

The pressures of increasing demand have been particularly severe on sewage and refuse systems. On Oahu, most of the county's seventeen sewage treatment plants are nearing the end of their expected life span of 20 years. Expansion of existing plants or construction of new plants will soon be required. Aging and inadequate maintenance of the city's 1,700 miles of sewer lines are another problem facing the County.

Sewage-treatment problems are also apparent on the Neighbor Islands. On the Big Island, of the four main county-run sewage-treatment plants, except for the plant in Kulaimano, three plants are nearing the end of their lifespan. The County plans to expand the Heeia plant, build a new plant in Kona, and relocate the Hilo plant in the future. On Kauai, the sewage-treatment plants at Eleele and Waimea are relatively new. However, the rapid growth of Kapaa and Lihue will soon require increases in capacity at the Wailua and Lihue plants.

Maui's three county-run sewage-treatment plants are also in need of expansion and improvement. The growth of residents and visitors in the past 15 years has placed tremendous strains on the existing system.

Disposal of solid waste is another problem, particularly on Oahu where 80 percent of the state's population resides. Averaging 6 pounds of waste per capita per day, the existing county landfills at Kapaa, Waianae, and Kawailoa on Oahu are quickly filling up. The City & County of Honolulu is undertaking a search for new sites, including another landfill at Kapaa and a new landfill in Waimanalo gulch. In the long run, an alternative method of solid waste disposal will be required. One alternative, H-Power, in which combustible refuse is burned to

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
CONSTRUCTION PUT IN PLACE					
STATE	thous. $	Jan.-Sept.	1,377,144	.....	31.8
Oahu	thous. $	Jan.-Sept.	1,205,398	.....	32.1
Maui County	thous. $	Jan.-Sept.	70,464	.....	37.0
Hawaii	thous. $	Jan.-Sept.	73,280	.....	23.4
Kauai	thous. $	Jan.-Sept.	28,002	.....	32.0
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	October	381.1	1.7	4.8
HIGH-RISE	1967 = 100	October	393.5	0.3	3.0
PRIVATE PERMITS AUTHORIZED					
STATE: RESIDENTIAL	thous. $	Jan.-June	263,987	.....	n.a.
Single Family Units	number	Jan.-June	2,047	.....	n.a.
Multiple Family Units	number	Jan.-June	1,650	.....	n.a.
NONRESIDENTIAL	thous. $	Jan.-June	204,487	.....	n.a.
OAHU: RESIDENTIAL	thous. $	Jan.-Oct.	284,323	.....	12.1
Single Family Units	number	Jan.-Oct.	1,654	.....	−17.1
Multiple Family Units	number	Jan.-Oct.	1,993	.....	21.1
NONRESIDENTIAL	thous. $	Jan.-Oct.	167,934	.....	25.3
MAUI CO.: RESIDENTIAL	thous. $	Jan.-June	48,723	.....	n.a.
Single Family Units	number	Jan.-June	514	.....	n.a.
Multiple Family Units	number	Jan.-June	72	.....	n.a.
NONRESIDENTIAL	thous. $	Jan.-June	24,499	.....	n.a.
HAWAII: RESIDENTIAL	thous. $	Jan.-Oct.	59,483	.....	−19.7
Single Family Units	number	Jan.-Oct.	945	.....	12.0
Multiple Family Units	number	Jan.-Oct.	39	.....	−79.0
NONRESIDENTIAL	thous. $	Jan.-Oct.	156,429	.....	408.5
KAUAI: RESIDENTIAL	thous. $	Jan.-Oct.	34,854	.....	−15.5
Single Family Units	number	Jan.-Oct.	360	.....	−8.4
Multiple Family Units	number	Jan.-Oct.	2	.....	−96.1
NONRESIDENTIAL	thous. $	Jan.-Oct.	48,478	.....	255.1
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS:					
STATE	thous. $	Jan.-Oct.	393,228	.....	73.9
Oahu	thous. $	Jan.-Oct.	292,472	.....	83.2
Maui County	thous. $	Jan.-Oct.	57,093	.....	53.1
Hawaii	thous. $	Jan.-Oct.	30,889	.....	99.2
Kauai	thous. $	Jan.-Oct.	12,775	.....	−6.0
BY LEVEL OF GOVERNMENT:					
Federal	thous. $	Jan.-Oct.	94,682	.....	29.5
State	thous. $	Jan.-Oct.	194,237	.....	146.0
County	thous. $	Jan.-Oct.	104,310	.....	40.9
REAL ESTATE RESALES					
STATE: Single Family	number	Jan.-Oct.	2,780	.....	21.7
Average Price	dollars	Jan.-Oct.	184,364	.....	8.9
Condominium	number	Jan.-Oct.	3,368	.....	22.7
Average Price	dollars	Jan.-Oct.	112,299	.....	8.2
OAHU: Single Family	number	Jan.-Oct.	1,900	.....	13.6
Average Price	dollars	Jan.-Oct.	207,675	.....	11.0
Condominium	number	Jan.-Oct.	2,595	.....	15.1
Average Price	dollars	Jan.-Oct.	107,154	.....	6.8
MAUI CO.: Single Family	number	Jan.-Oct.	327	.....	52.1
Average Price	dollars	Jan.-Oct.	177,924	.....	18.2
Condominium	number	Jan.-Oct.	538	.....	52.4
Average Price	dollars	Jan.-Oct.	144,723	.....	15.8
HAWAII: Single Family	number	Jan.-Oct.	434	.....	34.0
Average Price	dollars	Jan.-Oct.	99,410	.....	4.7
Condominium	number	Jan.-Oct.	103	.....	39.2
Average Price	dollars	Jan.-Oct.	90,690	.....	−5.4
KAUAI: Single Family	number	Jan.-Oct.	119	.....	65.3
Average Price	dollars	Jan.-Oct.	139,703	.....	−2.2
Condominium	number	Jan.-Oct.	132	.....	109.5
Average Price	dollars	Jan.-Oct.	98,140	.....	−16.5

n.a. = not available.

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population in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1, 1985	1,152.0p	.....	1.1
Total Resident Population	thous.	July 1, 1985	1,053.9p	.....	1.6
OAHU:					
Total De Facto Population	thous.	July 1, 1985	865.1p	.....	1.0
Total Resident Population	thous.	July 1, 1985	814.6p	.....	1.5
MAUI COUNTY:					
Total De Facto Population	thous.	July 1, 1985	115.5p	.....	0.5
Total Resident Population	thous.	July 1, 1985	85.3p	.....	2.1
HAWAII:					
Total De Facto Population	thous.	July 1, 1985	115.8p	.....	2.1
Total Resident Population	thous.	July 1, 1985	109.2p	.....	1.9
KAUAI:					
Total De Facto Population	thous.	July 1, 1985	55.6p	.....	1.8
Total Resident Population	thous.	July 1, 1985	44.8p	.....	1.4
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1, 1985	997.5p	.....	1.8
MILITARY PERSONNEL:					
STATE	number	July 1, 1985	58,005p	.....	−4.6
Ashore	number	July 1, 1985	53,848p	.....	−4.4
Afloat	number	July 1, 1985	4,157p	.....	−7.3
CIVILIAN MILITARY DEPENDENTS	number	July 1, 1985	64,281p	.....	−4.2
FOREIGN IMMIGRATION[1]	number	Jan.-Aug.	3,931	.....	3.4

p = preliminary.
[1]Includes only those entering Honolulu ports and does not include status changes.

income in hawaii

INCOME					
TOTAL PERSONAL INCOME**	mil. $	2nd Qtr.	15,313p	1.0	6.3
EMPLOYMENT INCOME[1]	mil. $	2nd Qtr.	11,598p	0.8	6.4
Manufacturing	mil. $	2nd Qtr.	503p	−4.9	0.4
Construction & Mining	mil. $	2nd Qtr.	730p	2.1	11.1
Wholesale	mil. $	2nd Qtr.	458p	0.7	5.3
Retail	mil. $	2nd Qtr.	1,307p	0.3	4.0
Finance, Ins., & Real Estate	mil. $	2nd Qtr.	851p	4.6	16.9
Trans., Comm., & Util.	mil. $	2nd Qtr.	949p	−0.5	5.4
Services	mil. $	2nd Qtr.	2,881p	2.2	8.2
Farm & Other	mil. $	2nd Qtr.	291p	−11.6	−8.2
Federal Civilian	mil. $	2nd Qtr.	975p	0.6	0.3
Federal Military	mil. $	2nd Qtr.	1,349p	0.1	4.1
State & Local	mil. $	2nd Qtr.	1,275p	1.4	8.7
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	2nd Qtr.	2,277p	2.0	5.7
TRANSFER PAYMENTS (1,954) minus Personal Contributions for Social Insurance (758)	mil. $	2nd Qtr.	1,438p	1.6	5.8
PER CAPITA PERSONAL INCOME:					
STATE	dollars	1985	14,558	.....	6.3
Oahu	dollars	1984	13,709	.....	5.7
Maui County	dollars	1984	11,611	.....	5.9
Hawaii	dollars	1984	9,998	.....	5.2
Kauai	dollars	1984	10,564	.....	6.9

**Total personal income and all components are seasonally adjusted at annual rates.
[1]Includes wage and salary disbursements, proprietors' income, and other labor income.
p = preliminary.

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generate electrical energy, is expected to be completed in 1988.

Refuse disposal is a problem on the Neighbor Islands as well. Hawaii County has two major landfills that are both being rapidly filled. The Kona landfill has only three years left before it is completely filled. As a short-term solution, another landfill at Puuanahulu has been proposed.

Of the six county-run landfill sites on Maui, four have already exceeded their fill-up dates. Two of the three landfill sites on Kauai are rapidly nearing their fill-up date. By 1991, Kauai will have only one landfill to handle the solid waste of the island's entire population.

So far, the counties have undertaken short-term measures including expansion of existing landfills and new landfill sites. However, the need for long-term solid-waste management plans is becoming critical as population growth continues.

Traffic congestion, highway expansion, and road maintenance have become growing issues in the state. From 230,800 cars, trucks, and buses in 1960, the number of motor vehicles in the state has increased to 717,200 in 1984, an annual growth rate of almost 5 percent. As a result, the resident-vehicle ratio has declined from 2.7 persons per vehicle in 1960 to 1.4 persons per vehicle in 1984.

On Oahu, where 70 percent of urban Honolulu commuters drive to work, traffic congestion is particularly acute. The worst traffic occurs in the Leeward/Central Oahu corridor where an average of 213,000 vehicles pass through daily. In the Windward corridor, the average daily traffic amounts to 97,000 vehicles, and in the Hawaii Kai corridor, an average of 74,000 vehicles pass through each day.

One solution to the traffic congestion problem on Oahu is mass transit. The Hali 2000 study by the Oahu Metropolitan Planning Organization (OMPO) considers two different light-rail systems, one heavy-rail system, and an all-bus approach that would double the present bus fleet to 800 buses. Other alternatives include more highways, including a tunnel under Pearl Harbor, and other unconventional measures such as electronic metering and billing for peak-hour driving.

The Big Island faces unique problems with roadway maintenance and improvement because of its large geographical size. Continued maintenance of existing roads has become a growing problem, especially for outlying areas with sparse populations. Moreover, the rapid growth of West Hawaii has the County government anticipating severe problems with the existing roadways

into and within Kailua-Kona.

Maui and Kauai both face traffic congestion problems due to the growing population and the rapid rise of tourism on those islands. The inadequacy of the narrow perimeter road system is demonstrated by the congestion between the towns on each island. Kauai county is experimenting with the addition of another lane to relieve traffic in Lihue. On Maui, traffic studies are currently underway to relieve congestion in the Kihei and Lahaina-Kaanapali areas.

The dry weather of recent years has emphasized the need for adequate water throughout the state. The drought earlier this year, for example, lowered sugar production levels, and resulted in layoffs of 170 sugar workers on Kauai. Full recovery from the drought is estimated to require two years. In addition, water restrictions imposed on small farmers growing flowers, fruits, and vegetables led to declining crop yields in 1986. Future yields will be affected since plantings were delayed or cut back this past year.

The insufficient supply of water has also led to a delay in housing developments throughout the state. On each island, a developer must obtain a water commitment from water-supply authorities before building permits are awarded. However, the imposition of a water moratorium stopped many developments. An alternative is to privately provide the water. However, at a cost of about $1 million per well, this alternative is expensive, and adds significantly to the already high cost of housing in the state.

The lack of infrastructure will pose serious obstacles to future developments for all counties. Clearly, existing waste disposal, transportation, and water-supply systems will require expansion and improvement to provide the services necessary for future growth in the state. Unfortunately, lack of funds for these projects is an obstacle all counties face. Implementation of the Gramm-Rudman Act will exacerbate the funding problem as federal funds for transportation, water, and sewage systems are curtailed.

To accommodate the continued development of Hawaii's economy, the counties and the state need to consider innovative methods to fund the continued maintenance and development of required infrastructure systems.

First, additional revenues need to be generated through county taxes. Presently, the county share of the liquid fuel tax and the motor vehicle tax is small compared to the amount allocated to the state's highway fund. More county rev-

employment and jobs in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
EMPLOYMENT					
STATE:					
Civilian Labor Force	thous.	Sept.	484.5p	−2.6	3.3
Employment	thous.	Sept.	462.7p	−2.4	4.4
Unemployment	thous.	Sept.	21.8p	−6.4	−15.5
Unemployment Rate	percent	Sept.	4.5p	−4.3	−18.2
OAHU					
Civilian Labor Force	thous.	Sept.	363.7p	−2.6	2.3
Employment	thous.	Sept.	348.7p	−2.4	3.2
Unemployment	thous.	Sept.	15.0p	−6.8	−14.8
Unemployment Rate	percent	Sept.	4.1p	−4.7	−16.3
MAUI COUNTY					
Civilian Labor Force	thous.	Sept.	47.2p	−2.5	6.1
Employment	thous.	Sept.	44.9p	−2.6	7.9
Unemployment	thous.	Sept.	2.3p	4.5	−17.9
Unemployment Rate	percent	Sept.	4.9p	6.5	−22.2
HAWAII					
Civilian Labor Force	thous.	Sept.	51.2p	−2.5	8.0
Employment	thous.	Sept.	47.8p	−2.0	9.9
Unemployment	thous.	Sept.	3.4p	−8.1	−12.8
Unemployment Rate	percent	Sept.	6.7p	−4.3	−17.3
KAUAI					
Civilian Labor Force	thous.	Sept.	22.5p	−2.6	3.2
Employment	thous.	Sept.	21.3p	−2.3	4.9
Unemployment	thous.	Sept.	1.1p	−15.4	−31.3
Unemployment Rate	percent	Sept.	5.1p	−8.9	−27.1
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	Oct.	482.0p	1.4	4.5
SUGAR (Mill and Field)	thous.	Oct.	7.2p	−1.4	−4.0
PINEAPPLE (Cannery and Field)	thous.	Oct.	3.5p	−4.1	0.0
DIVERSIFIED MANUFACTURING					
(Excluding Sugar and Pineapple)	thous.	Oct.	16.5p	0.0	2.8
Durable Goods	thous.	Oct.	3.5p	−1.4	9.5
Non-Durable Goods	thous.	Oct.	13.0p	0.4	1.2
Apparel and Textiles	thous.	Oct.	3.4p	1.5	8.1
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	Oct.	9.2p	6.4	7.6
CONTRACT CONSTRUCTION	thous.	Oct.	19.3p	1.0	3.8
TRANSPORTATION	thous.	Oct.	24.3p	−0.8	5.2
COMMUNICATION	thous.	Oct.	7.1p	0.0	−2.7
UTILITIES	thous.	Oct.	2.5p	0.0	2.0
RETAIL TRADE	thous.	Oct.	98.3p	0.0	4.7
WHOLESALE TRADE	thous.	Oct.	19.6p	−0.3	2.9
FINANCE, INSURANCE AND REAL ESTATE	thous.	Oct.	32.7p	0.2	1.7
HOTEL SERVICES—STATE	thous.	Oct.	27.8p	0.0	−2.1
Oahu	thous.	Oct.	16.0p	−0.6	0.6
Maui County	thous.	Oct.	6.3p	1.6	−1.6
Hawaii	thous.	Oct.	3.4p	0.0	−11.8
Kauai	thous.	Oct.	2.2p	0.0	−4.4
OTHER SERVICES	thous.	Oct.	85.5p	−0.1	4.3
FEDERAL GOVERNMENT	thous.	Oct.	32.1p	0.2	−1.7
Civilian Agencies	thous.	Oct.	11.9p	0.8	0.0
Defense Department	thous.	Oct.	20.2p	−0.2	−2.7
STATE GOVERNMENT	thous.	Oct.	48.4p	14.2	2.5
COUNTY GOVERNMENT	thous.	Oct.	12.9p	−4.8	1.2
NON-AGRICULTURE SELF-EMPLOYED	thous.	Oct.	34.7p	1.0	30.8
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	July	9,257	−10.2	−18.7
INTRASTATE INITIAL CLAIMS	number	Jan.-July	38,096	.....	−10.2
INTERSTATE INITIAL CLAIMS	number	Jan.-July	2,308	.....	5.3
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	Jan.-July	35,252	.....	−14.5

p = preliminary.

public assistance in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
INCOME MAINTENANCE:					
Recipients[1]	no./persons	July	53,567	−1.4	−8.1
Payments	thous. $	Jan.-July	54,208	.....	−5.5
MEDICAL ASSISTANCE:					
Recipients[1]	no./patients	August	55,303	11.7	17.3
Payments	thous. $	Jan.-Aug.	108,320	.....	−7.9
FOOD STAMPS:					
Recipients[1]	no./persons	June	90,923	−0.7	−6.5
Payments	thous. $	Jan.-June	44,608	.....	−4.0
SERVICES:					
Recipients[1]	no./cases	3rd Qtr.	7,944	−4.6	3.2
Payments	thous. $	2nd Qtr.	4,373	.....	19.4
		3rd Qtr.	4,742	8.4	

[1]Count of recipients is duplicated. A person may be counted in each category.

banking and finance in hawaii

FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	October	8,003.1	0.7	12.0
Debits To Demand Deposits	mil. $	Jan.-Oct.	88,819.5	.....	13.2
OAHU:					
Total Deposits	mil. $	October	6,650.6	0.5	11.8
Debits To Demand Deposits	mil. $	Jan.-Oct.	80,163.3	.....	12.4
MAUI COUNTY:					
Total Deposits	mil. $	October	520.6	4.3	14.6
Debits To Demand Deposits	mil. $	Jan.-Oct.	3,553.9	.....	16.4
HAWAII:					
Total Deposits	mil. $	October	569.5	0.7	14.8
Debits To Demand Deposits	mil. $	Jan.-Oct.	3,258.7	.....	12.7
KAUAI:					
Total Deposits	mil. $	October	262.4	0.3	5.9
Debits To Demand Deposits	mil. $	Jan.-Oct.	1,483.5	.....	24.9
BANK LOANS OUTSTANDING—STATE[1]	mil. $	3rd Qtr.	4,751.9	0.7	7.9
Real Estate	mil. $	3rd Qtr.	2,002.2	5.6	13.5
Consumer	mil. $	3rd Qtr.	1,067.3	2.2	8.7
Commercial & Industrial	mil. $	3rd Qtr.	1,339.8	−1.6	1.4
Other	mil. $	3rd Qtr.	274.3	−34.3	−18.5
CONVENTIONAL HOME MORTGAGE RATES: HONOLULU SAVINGS & LOAN ASSOCIATIONS[2]	percent	September	10.1	0.0	−12.9
TOTAL DEPOSITS	mil. $	September	3,586.2	0.2	−0.2
TOTAL LOANS	mil. $	September	125.9	6.7	n.a.
MORTGAGE LOANS	mil. $	September	112.4	11.7	66.4
TAX COLLECTIONS[3]					
STATE	thous. $	Jan.-Sept.	1,248,909	.....	11.8
Oahu	thous. $	Jan.-Sept.	1,069,814	.....	10.4
Maui County	thous. $	Jan.-Sept.	76,423	.....	18.9
Hawaii	thous. $	Jan.-Sept.	69,348	.....	15.6
Kauai	thous. $	Jan.-Sept.	33,387	.....	35.4

[1]Figures contain domestic balances only.
[2]Includes Hawaii and Guam. Reporting categories changed in July, 1985.
[3]Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

enues from these sources is one alternative. A proposal to raise the county's portion of the liquid fuel tax was discussed on the Big Island. But because of the recent controversy over safety-inspection fee increases, the proposal was temporarily shelved.

Another possibility is the privatization of all or portions of a system that could be more efficiently operated by private companies. For example, Hawaii County is contemplating the private takeover of the Heeia Wastewater Treatment Plant in Keauhou.

Counties should also strive for more effective planning and resource allocation. Flexible pricing schemes that more closely reflect the relative scarcity of a good or service—whether it be water, sewer service, or roadways—are one alternative. For example, use of flexible pricing to reduce water consumption and raise county revenues during periods of severe water shortages is an effective way of managing water demand. However, water rates have generally remained unchanged due to heavy state and federal subsidies. These subsidies have traditionally occupied a large part of the total costs of maintaining and operating water systems. However, given current trends in government support, these subsidies can be expected to decline. The portion paid by users will therefore increase.

Innovative use of debt financing is another alternative. Unlike state debt, which already constitutes 86 percent of the maximum debt ceiling allowed, the counties all have used less than 10 percent of their maximum debt limits. On Oahu and Maui, the county debt is only 5 percent of the maximum debt allowed. On Hawaii, only 9 percent, and on Kauai, only 8 percent of the debt limit has been used. Clearly, more extensive use of debt financing is viable.

In summary, the growing inadequacy of existing sewage and refuse-disposal systems, the need for continued expansion and maintenance of roads, and further development of adequate water-supply systems are challenges to be faced by state and county governments. Due to the growing shortage of federal support, especially following the passage of the Gramm-Rudman Act, innovative approaches to funding infrastructure development must be found. Increases to county tax revenues, pricing schemes for services rendered, and increased debt financing are alternatives worth considering. These problems need to be resolved in the near future to remove bottlenecks to increased economic development and job creation in the state.

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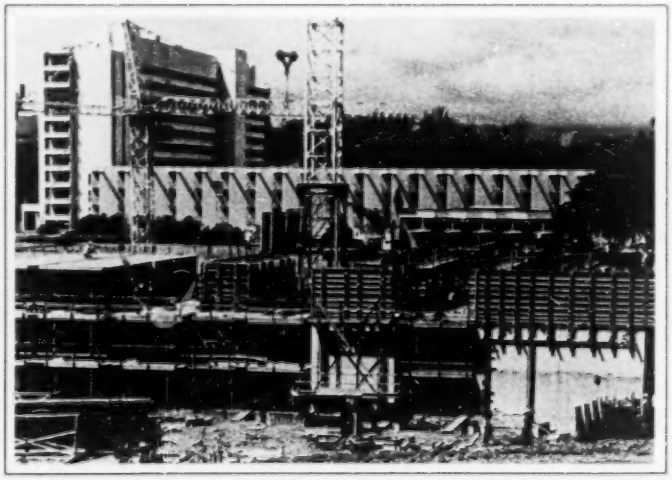

Renovation of the Westin Kauai *Star-Bulletin Photo*

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Research Department, First Hawaiian Bank | January/February 1987

Foreign Investment in Hawaii

Foreign investment has been one of the most important factors underlying the development of Hawaii's economy since statehood. Because of Hawaii's traditional shortage of investible capital, it was recognized from the earliest days of Hawaii's entrance into the Union that external monetary flows would be required to finance the development of the jobs and economic growth that would form the basis of Hawaii's new post-territorial economy. From the 1960s onward, foreign capital played a major role in the development of Hawaii's modern visitor industry. Because of the high transportation costs for visitors coming to Hawaii, economies of scale were a crucial factor in the development of the visitor industry. The development of the large-capacity Boeing 747, as well as large hotel facilities were therefore key elements in the development of Hawaiian tourism. That, in turn, necessitated the kind of large capital infusions that were only available from outside Hawaii.

As of 1986, total non-U.S. investment in Hawaii came to $2.5 billion. The major investing countries are Japan (71 percent), Hong Kong (9 percent), United Kingdom (7 percent), and Canada (6 percent). Investment has been predominantly in the visitor industry. For example, hotels, condominiums, golf courses, and retail establishments constitute $1.4 billion or 56 percent of total foreign investment. Real estate investments comprise an additional 34 percent of total investment.

The economic benefits of foreign investment to Hawaii have been significant. Foreign investment has created income, jobs, and tax revenues to the state and counties. Rough calculations of a foreign-investment multiplier for Hawaii show that, for every dollar of total foreign capital coming into Hawaii, aggregate economic activity, in terms of gross state product, increases by 89 cents. Thus, for example, if $100 million of foreign investment comes into Hawaii, it generates an additional $89 million in economic activity. According to the latest information available, Japanese companies in Hawaii are estimated to generate $910 million in revenues and employ over 14,000 people.

Clearly, foreign investment has succeeded in increasing employment and the overall standard of living for Hawaii's people. At the same time, that very success has created conditions that bear consideration. Annual income to out-of-state investors from investments in Hawaii comes to $1.5 billion, equivalent to the size of Hawaii's entire construction industry. Investments in new projects generate a net addition to employment, income, tax revenues and economic activity. However, these benefits do not accrue in the purchase of an existing asset, although proceeds from the sale of an asset could generate other activity in the state. Also, not all profits from foreign-owned enterprises are repatriated out-of-state; some are reinvested back in Hawaii. However, foreign interests have come to control nearly two-thirds of the major hotel properties, and half of all the hotel units in Waikiki—30 percent of all hotel units throughout the state. The concentration of investments in the visitor industry has also tended to increase Hawaii's overdependency on tourism.

Nevertheless, future prospects for investment in Hawaii point to continued growth. The safety of investing in American assets, the positive long-term outlook for growth in Hawaii's visitor industry, and Hawaii's world-famous natural environment, will cause foreign investment to continue to flow into Hawaii for the foreseeable future. The continuing strengthening of the yen against the dollar adds further assurance that the present patterns of foreign investment will most likely continue.

State government policies toward foreign investments have traditionally been very supportive. However, more attention could be given to developing more discriminating policies, such as encouraging more reinvestment of profits back into Hawaii, streamlining development procedures to expedite projects, supporting new investment as opposed to the purchase of existing assets, and developing programs to increase the benefits of foreign investment to Hawaii residents. There is a need to diversify the type of investments coming into Hawaii and their location. For example, investments in science, educational, manufacturing, and agricultural programs constitute less than 3 percent of total investment in Hawaii. The majority of Japanese investments are located on Oahu.

Corporate commitment to the needs of the Hawaiian people is another area of concern which could be addressed through greater involvement in community affairs, and the opening of more managerial opportunities for Hawaii residents, particularly in the visitor industry.

Foreign investment is a major factor in Hawaii's economic future. What that future will look like, therefore, will be heavily influenced by how our state government designs foreign-investment policies that will be consonant with Hawaii's desired economic goals. More than simply quantity of investment, attention will need to be paid to quality of investment, defined ultimately in terms of benefit to Hawaii's residents. It is only through this attention to quality that there can be an harmonious convergence of the interests of foreign investors and the economic needs of the people of Hawaii.

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JANUARY/FEBRUARY FEATURE STORY: HAWAII'S NEW HOTEL ROOM TAX

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CURRENT BUSINESS TRENDS

Overall, Hawaii's economy, as of November, maintained a consistent path of steady growth. Total gross business receipts through November increased to $24 billion, up 7.4 percent from the same period in 1985, largely due to high off-season visitor counts. Kauai, with its impressive record of tourism-led economic expansion, grew to a record $683 million through November, a 24-percent increase over 1985.

Hawaii's record 5.1 million visitors through November greatly contributed to the state's uninterrupted economic expansion in 1986. This 15-percent gain from November 1985 consisted of an average increase of 11 percent on Oahu, Maui, and Hawaii and a substantial 22-percent increase on Kauai.

The construction industry was also a strong contributor to Hawaii's economic strength. The November tally of construction put-in-place came to $1.7 billion, up an impressive 30 percent from 1985. Oahu led the state with construction put-in-place valued at $1.5 billion, but Maui contributed a record $89 million worth of construction, up 31 percent from 1985. Hawaii and Kauai also fared quite well from 1985 with increases of 19 and 23 percent, respectively.

Private permits authorized on Oahu were up 24 percent from November 1985. Hawaii and Kauai were up a remarkable 382 and 237 percent, respectively. These increases combined with stable low interest rates and steady construction costs should propel the construction industry into another strong year in 1987.

Real estate figures for November reflected the same rate of growth seen throughout the year. Single-family housing and condominium resales were up an average 22 percent through November from the same period in 1985. The average single-family house

u. s. economic indicators

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	3rd Qtr.	4,241 r	1.6	5.2
In 1982 Dollars	bil. $	3rd Qtr.	3,686 r	0.7	2.3
PERSONAL INCOME**	bil. $	November	3,531p	0.3	4.7
INTEREST RATES					
AVERAGE PRIME RATE	percent	December	7.50	0.0	−21.1
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	October	386.5p	1.6	3.3
CONSTRUCTION COST INDEXES:					
Residences	1967 = 100	September	377.3	0.7'	1.9
Apts., Hotels, Office Bldgs.	1967 = 100	September	374.5	0.6'	1.8
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	November	110,371	0.1	2.2
UNEMPLOYMENT*	thous.	November	8,283	0.5	1.5
UNEMPLOYMENT RATE*	percent	November	6.9	0.0	0.0
PRICES					
CONSUMER PRICE INDEXES:					
Wage Earners and Clerical Workers	1967 = 100	December	325.7	0.1	0.7
All Urban Consumers	1967 = 100	December	331.1	0.1	1.1
PRODUCER PRICE INDEXES:					
Finished Goods*	1967 = 100	November	290.9	0.2	−1.9
All Commodities	1967 = 100	October	298.3	0.2	−3.1

r = revised.
p = preliminary.
'Compared to July, 1986.
*Seasonally adjusted.
**Seasonally adjusted at annual rates.

business activity in hawaii

BUSINESS SALES					
GROSS BUSINESS RECEIPTS:					
STATE	mil. $	Jan.-Nov.	23,994.2	.....	7.4
Oahu	mil. $	Jan.-Nov.	20,130.1	.....	7.0
Maui County	mil. $	Jan.-Nov.	1,675.0	.....	8.9
Hawaii	mil. $	Jan.-Nov.	1,506.6	.....	5.0
Kauai	mil. $	Jan.-Nov.	682.6	.....	24.0
DIVERSIFIED MANUFACTURING	mil. $	Jan.-Nov.	514.7	.....	6.2
DIVERSIFIED AGRICULTURE	mil. $	Jan.-Nov.	228.4	.....	−0.3
RETAILING	mil. $	Jan.-Nov.	8,688.9	.....	6.9
WHOLESALING	mil. $	Jan.-Nov.	5,810.4	.....	5.3
SERVICES	mil. $	Jan.-Nov.	5,772.6	.....	8.5
OAHU NEW CAR SALES	number	November	35,292p	.....	−7.3
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX:					
Wage Earners and Clerical Workers	1967 = 100	December	312.7	0.6'	2.3
All Urban Consumers	1967 = 100	December	305.4	0.5'	2.3
TOURISM					
VISITOR EXPENDITURES	mil. $	1985	4,884p	.....	6.6
OVERNIGHT OR LONGER VISITORS	number	November	430,440p	3.6	14.4
	thous.	Jan.-Nov.	5,094p	.....	14.8
Westbound	number	November	328,750p	5.4	13.4
	thous.	Jan.-Nov.	3,889p	.....	15.1
Eastbound	number	November	101,690p	−2.0	17.7
	thous.	Jan.-Nov.	1,205p	.....	13.5
AVERAGE DAILY VISITOR CENSUS	number	Jan.-Nov.	116,620p	.....	14.1
AVERAGE LENGTH OF STAY	no. of days	Jan.-Nov.	10.0p	.....	−1.0
MEETING ATTENDANCE	number	Jan.-Nov.	224,842	.....	−7.0
ORGANIZED GROUP TOURS	number	Jan.-Nov.	788,250p	.....	0.9
VISITOR COUNT BY COUNTY*:					
Oahu	number	November	238,110p	3.2	8.2
	thous.	Jan.-Nov.	2,880p	.....	11.3
Maui County	number	November	158,780p	3.1	14.4
	thous.	Jan.-Nov.	1,845p	.....	9.6
Hawaii	number	November	57,950p	−9.6	7.4
	thous.	Jan.-Nov.	710p	.....	11.3
Kauai	number	November	76,950p	−8.9	18.8
	thous.	Jan.-Nov.	933p	.....	21.6

p = preliminary. 'Compared to September, 1986.
*Estimated Westbound.

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
VISITOR ACCOMMODATIONS					
STATE	number	Feb., 1986	66,308	.....	0.6
Oahu	number	Feb., 1986	39,010	.....	1.1
Waikiki	number	Feb., 1986	34,650	.....	2.3
Maui (Island)	number	Feb., 1986	13,451	.....	−0.5
Molokai	number	Feb., 1986	635	.....	1.3
Lanai	number	Feb., 1986	10	.....	0.0
Hawaii	number	Feb., 1986	7,280	.....	−3.1
Kauai	number	Feb., 1986	5,922	.....	4.7
HOTEL OCCUPANCY					
STATE	percent	November	81.1	4.8	6.9
		Jan.-Nov.	82.3	.....	7.0
Oahu	percent	November	84.2	7.8	3.4
		Jan.-Nov.	85.7	.....	4.4
Maui (Island)	percent	November	81.8	1.9	4.5
		Jan.-Nov.	82.9	.....	4.1
Hawaii	percent	November	64.4	−1.8	9.0
		Jan.-Nov.	63.9	.....	9.8
Kauai	percent	November	76.4	−3.5	23.8
		Jan.-Nov.	79.3	.....	20.0
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	Yr. to 3rd Qtr.	1,410.5	.....	−8.8
Military Payroll	mil. $	Yr. to 3rd Qtr.	625.0	.....	−3.5
Civilian Payroll	mil. $	Yr. to 3rd Qtr.	455.2	.....	0.0
Local Purchases	mil. $	Yr. to 3rd Qtr.	330.3	.....	−25.7
SUGAR					
VALUE OF CROP SALES (Unprocessed Cane)	mil. $	1985	222.4	.....	−13.2
SUGAR PRODUCTION	thous. tons	Jan.-Nov.	1,001.3	.....	2.9
AVERAGE N. Y. RAW SUGAR PRICE	$/ton	Jan.-Nov.	416.7p	.....	1.8
PINEAPPLE					
VALUE OF CROP SALES (Fresh Equivalent)	thous. $	1985	90.5	.....	0.7
SHIPMENTS: FRESH	thous. lbs.	Jan.-Oct.	204.7	.....	−3.6
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	1985	132,126	.....	12.6
FLOWERS & NURSERY PRODUCTS	thous. $	1985	44,247	.....	13.7
Anthurium Outshipments[1]	th. dozens	Jan.-Oct.	1,523.5	.....	17.2
Potted Foliage Plants	thous. $	1985	12,019	.....	19.6
FRUITS & NUTS	thous. $	1985	43,244	.....	9.7
Papaya Sales	th. lbs.	Jan.-Nov.	44,955	.....	−2.0
Average Farm Price	cents/lb.	November	15.0	−16.7	−6.3
Macadamia Nut Sales (in shell)	th. lbs.	1985	42,000	.....	11.4
Average Farm Price	cents/lb.	1985	72.5	.....	4.8
VEGETABLES AND MELONS[2]	th. lbs.	Jan.-Nov.	62,408p	.....	1.5
LIVESTOCK	thous. $	1985	82,821	.....	−4.8
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Oct.	27,439	.....	−1.1
Average Farm Price (Feedlot Beef)	cents/lb.	October	83.5	0.6	11.3
HOG PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Nov.	5,782	.....	3.3
Average Farm Price	cents/lb.	November	103.5	−0.5	−0.5
MILK PRODUCTION	mil. lbs.	Jan.-Nov.	142.4	.....	9.9
Average Price Sold to Plants	$/100 lbs.	November	20.67	0.1	−0.6
EGG PRODUCTION	mil.	Jan.-Nov.	208	.....	3.0
Average Farm Price	cents/doz.	November	79.0	0.6	26.4
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	Jan.-Nov.	6,843.0	.....	6.0
GAS SALES	th. therms.	Jan.-Nov.	44,136	.....	−0.3
TELEPHONE LINES IN SERVICE	thous.	November	478.0	.....	3.0

p = preliminary.
[1]From Hawaii County.
[2]Includes snap beans, cabbage, celery, sweet corn, cucumbers, onions, green peppers, tomatoes, and watermelons.

sold for $184,496 in November, and the average condominium sold for $116,546. Kauai led the state with an average increase in single-family housing resales through November of 72 percent, while Maui led the state in condominium resales, up 16 percent from the same period in 1985.

In agriculture, sugar production through November advanced to the 1-million ton mark, up 3 percent from November 1985. But, unfortunately, sugar supplies are still exceeding demand. This was reflected in depressed prices, which showed little or no gains through November. Hawaii's sugar industry does have a brighter outlook for 1987, however. The passage of the sugar-import-quota bill by Congress should stimulate price increases for 1987.

Elsewhere in agriculture, papaya shipments have been showing a 4-percent decline in November from the previous year, and a 2-percent decline from October, the previous month. Other areas of diversified agriculture, such as anthurium outshipments, vegetable and melon production, livestock, and dairy products have held steadfast through November 1986 with little or no growth since November 1985.

Employment figures remained promising through November. The state unemployment rate fell to 4.5 percent in November 1986, while the state labor force grew from 479,600 to 492,000 during that same period. An additional 20,000 new jobs, since November 1985, boosted the total job count for the state by 4 percent to 481,950. Growth in retail trade jobs led all other industries, up 4.5 percent from 1985. The number of people self-employed in the state was up nearly 30 percent from November 1985.

Tax collections for the state and counties were, as to be expected given a strong economy, on the increase. Cumulative tax collections for the state stood at $1.5 billion in November, up 11 percent from the November cumulative average of 1985. Kauai led the state with tax revenues of $40 million, up 32 percent from 1985.

Continued economic expansion was also evident in banking statistics. Monthly bank deposits, through November, averaged 15 percent above the same period last year. Debits to demand deposits, which measure checking account activity, increased by 14 percent over 1985. Kauai experienced an unusually high 25-percent rate of growth in checking account activity. The high level of transactions should provide a strong catalyst to future economic expansion.

HAWAII'S NEW HOTEL ROOM TAX

On January 1, 1987 Hawaii's new hotel room tax went into effect. First introduced in the Senate 20 years ago, it was on and off the legislative agenda until June 1986 when it finally passed. The reality of pending federal funding cutbacks helped to decide the matter once and for all. New tax revenues were needed to replace lost federal funds. The choice was between a hotel room tax or raising the general excise tax by two percent; politically, it was more feasible to pass the hotel tax than to increase the excise tax. Proponents for the new tax argued it would be a way to shift some of the tax burden from residents to out-of-state visitors, and obtain revenue from foreign investments in the hotel industry. Opponents stressed the negative impact this tax would have on the tourist industry and the business reputation of the state in general.

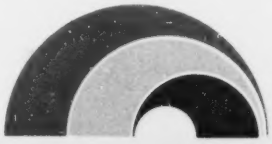
"Hotel room tax" is a bit of a misnomer. The official name of the new tax is the Transient Accommodations Tax. While most of the revenue will accrue from the more than 66,000 hotel rooms in the state, all temporary lodging is subject to the tax. A lodging is temporary if it is let for less than 180 consecutive days a year, and is customarily used as a rental unit. This encompasses units outside resort areas such as apartment hotels, motels, horizontal property regimes, condominiums, cooperative apartments, or rooming houses. Even transient accommodations aboard cruise ships sailing between the islands are subject to the tax. There are several exceptions to this rule. Health-care facilities, such as hospitals, are exempt from the tax. School dormitories related to an educational institution do not have to pay the tax. Lodging provided by nonprofit organizations is not covered by the tax. Neither are low-income housing units if they are leased for periods not exceeding 60 days to people receiving rental subsistence aid from the state or federal government. Military housing for permanently stationed incoming personnel is not liable for the tax. All other facilities used to house people on a temporary basis are covered.

Once a dwelling has been classified as a transient accommodation, the operator must register the unit with the Department of Taxation. (The "operator" is defined as any person operating a transient accommodation whether as owner, proprietor, lessee, sublessee, mortgagee in possession, licensee, or otherwise, engaging or continuing in any service business which involves the

business activity in hawaii [cont.]

Series		Unit	Period	Number	Percent Change preceding period	Percent Change year ago
CONSTRUCTION PUT IN PLACE						
STATE		mil. $	Jan.-Nov.	1,664.9	.....	29.4
Oahu		mil. $	Jan.-Nov.	1,459.3	.....	30.1
Maui County		thous. $	Jan.-Nov.	88,660	.....	31.1
Hawaii		thous. $	Jan.-Nov.	88,510	.....	19.2
Kauai		thous. $	Jan.-Nov.	32,499	.....	23.4
HONOLULU CONSTRUCTION COST INDEXES						
SINGLE FAMILY		1967 = 100	December	372.1	−0.6	2.5
HIGH-RISE		1967 = 100	December	384.2	−0.2	0.8
PRIVATE PERMITS AUTHORIZED						
STATE:	RESIDENTIAL	thous. $	Jan.-July	322,250	.....	−11.5
	Single Family Units	number	Jan.-July	2,562	.....	4.7
	Multiple Family Units	number	Jan.-July	1,808	.....	−5.3
	NONRESIDENTIAL	thous. $	Jan.-July	345,123	.....	135.6
OAHU:	RESIDENTIAL	thous. $	Jan.-Nov.	307,372	.....	12.0
	Single Family Units	number	Jan.-Nov.	1,845	.....	−17.8
	Multiple Family Units	number	Jan.-Nov.	2,029	.....	23.0
	NONRESIDENTIAL	thous. $	Jan.-Nov.	181,250	.....	24.3
MAUI CO.:	RESIDENTIAL	thous. $	Jan.-July	59,817	.....	−45.0
	Single Family Units	number	Jan.-July	551	.....	20.3
	Multiple Family Units	number	Jan.-July	150	.....	−63.5
	NONRESIDENTIAL	thous. $	Jan.-July	23,076	.....	59.8
HAWAII:	RESIDENTIAL	thous. $	Jan.-Nov.	63,673	.....	−18.9
	Single Family Units	number	Jan.-Nov.	1,028	.....	12.2
	Multiple Family Units	number	Jan.-Nov.	39	.....	−79.5
	NONRESIDENTIAL	thous. $	Jan.-Nov.	161,306	.....	382.3
KAUAI:	RESIDENTIAL	thous. $	Jan.-Nov.	37,548	.....	−16.7
	Single Family Units	number	Jan.-Nov.	384	.....	−10.7
	Multiple Family Units	number	Jan.-Nov.	2	.....	−96.1
	NONRESIDENTIAL	thous. $	Jan.-Nov.	50,068	.....	236.9
PUBLIC CONTRACTS AWARDED						
TOTAL GOVERNMENT PROJECTS:						
STATE		thous. $	Jan.-Nov.	411,308	.....	73.0
Oahu		thous. $	Jan.-Nov.	305,685	.....	80.3
Maui County		thous. $	Jan.-Nov.	58,329	.....	56.1
Hawaii		thous. $	Jan.-Nov.	34,297	.....	102.9
Kauai		thous. $	Jan.-Nov.	12,981	.....	−6.7
BY LEVEL OF GOVERNMENT:						
Federal		thous. $	Jan.-Nov.	102,066	.....	39.6
State		thous. $	Jan.-Nov.	201,293	.....	127.1
County		thous. $	Jan.-Nov.	107,950	.....	42.1
REAL ESTATE RESALES						
STATE:	Single Family	number	Jan.-Nov.	3,094	.....	22.4
	Average Price	dollars	Jan.-Nov.	184,377	.....	8.7
	Condominium	number	Jan.-Nov.	3,722	.....	23.2
	Average Price	dollars	Jan.-Nov.	112,707	.....	9.2
OAHU:	Single Family	number	Jan.-Nov.	2,117	.....	20.6
	Average Price	dollars	Jan.-Nov.	208,346	.....	10.9
	Condominium	number	Jan.-Nov.	2,876	.....	15.8
	Average Price	dollars	Jan.-Nov.	107,497	.....	7.7
MAUI CO.:	Single Family	number	Jan.-Nov.	355	.....	50.4
	Average Price	dollars	Jan.-Nov.	175,378	.....	16.9
	Condominium	number	Jan.-Nov.	590	.....	53.6
	Average Price	dollars	Jan.-Nov.	143,434	.....	16.4
HAWAII:	Single Family	number	Jan.-Nov.	488	.....	35.8
	Average Price	dollars	Jan.-Nov.	99,296	.....	8.9
	Condominium	number	Jan.-Nov.	114	.....	39.0
	Average Price	dollars	Jan.-Nov.	101,970	.....	2.2
KAUAI:	Single Family	number	Jan.-Nov.	134	.....	71.8
	Average Price	dollars	Jan.-Nov.	139,393	.....	−3.0
	Condominium	number	Jan.-Nov.	142	.....	102.9
	Average Price	dollars	Jan.-Nov.	99,196	.....	−16.4

n.a. = not available.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population in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
STATE					
Total De Facto Population	thous.	July 1, 1986	1,176.7p	.....	2.1
Total Resident Population	thous.	July 1, 1986	1,062.3p	.....	0.8
OAHU:					
Total De Facto Population	thous.	July 1, 1985	865.1p	.....	1.0
Total Resident Population	thous.	July 1, 1985	814.6p	.....	1.5
MAUI COUNTY:					
Total De Facto Population	thous.	July 1, 1985	115.5p	.....	0.5
Total Resident Population	thous.	July 1, 1985	85.3p	.....	2.1
HAWAII:					
Total De Facto Population	thous.	July 1, 1985	115.8p	.....	2.1
Total Resident Population	thous.	July 1, 1985	109.2p	.....	1.9
KAUAI:					
Total De Facto Population	thous.	July 1, 1985	55.6p	.....	1.8
Total Resident Population	thous.	July 1, 1985	44.8p	.....	1.4
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1, 1986	1,004.2p	.....	0.7
MILITARY PERSONNEL:					
STATE	number	July 1, 1985	58,005p	.....	−4.6
Ashore	number	July 1, 1985	53,848p	.....	−4.4
Afloat	number	July 1, 1985	4,157p	.....	−7.3
CIVILIAN MILITARY DEPENDENTS	number	July 1, 1985	64,281p	.....	−4.2
FOREIGN IMMIGRATION[1]	number	Jan.-Dec.	5,557	.....	−0.2

p = preliminary.
[1]Includes only those entering Honolulu ports and does not include status changes.

income in hawaii

INCOME					
TOTAL PERSONAL INCOME**	mil. $	2nd Qtr.	15,313p	1.0	6.3
EMPLOYMENT INCOME[1]	mil. $	2nd Qtr.	11,598p	0.8	6.4
Manufacturing	mil. $	2nd Qtr.	503p	−4.9	0.4
Construction & Mining	mil. $	2nd Qtr.	730p	2.1	11.1
Wholesale	mil. $	2nd Qtr.	458p	0.7	5.3
Retail	mil. $	2nd Qtr.	1,307p	0.3	4.0
Finance, Ins., & Real Estate	mil. $	2nd Qtr.	851p	4.8	16.9
Trans., Comm., & Util.	mil. $	2nd Qtr.	949p	−0.5	5.4
Services	mil. $	2nd Qtr.	2,881p	2.2	8.2
Farm & Other	mil. $	2nd Qtr.	291p	−11.6	−8.2
Federal Civilian	mil. $	2nd Qtr.	975p	0.6	0.3
Federal Military	mil. $	2nd Qtr.	1,349p	0.1	4.1
State & Local	mil. $	2nd Qtr.	1,275p	1.4	8.7
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	2nd Qtr.	2,277p	2.0	5.7
TRANSFER PAYMENTS (1,954) minus Personal Contributions for Social Insurance (758)	mil. $	2nd Qtr.	1,438p	1.6	5.8
PER CAPITA PERSONAL INCOME:					
STATE	dollars	1985	14,558	.....	6.3
Oahu	dollars	1984	13,709	.....	5.7
Maui County	dollars	1984	11,611	.....	5.9
Hawaii	dollars	1984	9,998	.....	5.2
Kauai	dollars	1984	10,564	.....	6.9

**Total personal income and all components are seasonally adjusted at annual rates.
[1]Includes wage and salary disbursements, proprietors' income, and other labor income.
p = preliminary.

AWAIIAN BANK

actual furnishing of transient accommodation). That requires the filing of Form TA-3 the Operator's Registration for Transient Accommodations Tax Form, along with a $1 fee, in the district where the unit is located. If an operator owns units in different tax districts, Form TA-3 must be filed, and the fee paid, in each district where accommodations are located. In the event more than one unit is owned, an additional form, Form TA-9 Transient Accommodations Branch Registration Maintenance Form, must be completed for each unit. Transient accommodations tax certificates are renewed annually on or before January 31 by filing Form TA-5.

Once all the necessary forms have been submitted, the operator will receive a packet containing tax-return forms with a preprinted identification number, together with an Operator's Certificate of Registration and, in case of branch operations, Branch Certificates. The Operator's Certificate of Registration and Branch Certificates must be conspicuously displayed at the place for which they are issued. All certified domiciles will be assessed a 5-percent tax on gross income received from the rental activity regardless of the method of accounting, whether based on cash or accrual. This is in addition to the 4-percent general-excise tax. To avoid levying an excessive burden on these owners, the gross income the hotel tax is based on will not include the general-excise tax passed on to consumers and collected by owners. Likewise, the gross income on which the general-excise tax is computed will not include the amount of the hotel tax passed on to, and collected from, consumers. In this way the impact of the tax will be minimized.

The transient accommodations tax return filing period is similar to that for the general-excise tax return. These returns along with payments must be filed with the district tax office where the unit is located. The Department of Taxation estimates 25,000 returns will be filed every month by hotels statewide. In the first six months this new tax is expected to generate $27 million in revenue. For the first fiscal year it should bring $55 million to $60 million into the state's General Funds account.

Allotting the revenue to the General Funds account was a controversial part of the new tax law. The tourist industry wanted a portion of the revenue generated by the new tax earmarked for use by the industry. It would have been used for support of a convention center and promotional activities by the Hawaii Visitors Bureau. The 1986 legislature balked at this suggestion for accounta-

bility reasons. The legislature wanted to maintain control over the use of the funds. That way, programs competing for the funds would have to show how the money would be used. The new tax income could then be spread out over the entire economy to those activities warranting it the most, rather than being concentrated in one sector. Earmarking the tax revenue would have eliminated this ability to allocate funds to the more needy programs. It was a hotly debated part of the new tax law for some time. In the end a compromise was struck. An extra $2 million was given to the Hawaii Visitors Bureau and $12 million to the counties as a trade-off for putting all the transient accommodations tax revenue into the General Funds account. More recent indications are that the issue of earmarking will be reexamined in the 1987 legislature.

The new transient accommodations tax will not only bring in new revenue to the state, but introduce new costs as well. $779,000 has been allocated for the administration of the new tax in the 1987 fiscal budget. $400,000 of that amount was restricted, leaving $379,000 for immediate use. This money is for special assignments, printing new tax forms, administration, new equipment, room rentals for public hearings, and advertising. The remaining allotment may be released by the governor if it is deemed necessary.

Time will also have to be spent to clarify several "grey areas" within the new law, the most sensitive being student housing. The new law was not intended to burden students. Dormitories related to an educational institution were exempted. Dormitories operating for profit that are not related to an educational institution, however, are subject to the tax. Students in this situation will have to bear some of the burden. Students sharing an apartment with nonstudents also present a difficulty. While the law says the tax will be "based upon [the nonstudent's] prorata share of the rent," no uniform method of calculating that share has been determined.

Another grey area concerns airline flight crew accommodations. If the hotel rooms are continuously occupied for more than 180 days, the gross income derived by the hotel is not subject to the tax. On the other hand, if the room is occupied intermittently and payment for the room is made only for the time it is used rather than for the whole term of the contract, the income is taxable. However, it is ambiguous whether or not the payments are subject to the transient accommodations tax when the

employment and jobs in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
EMPLOYMENT					
STATE					
Civilian Labor Force	thous.	Nov.	492.0p	1.0	2.6
Employment	thous.	Nov.	470.1p	0.8	3.9
Unemployment	thous.	Nov.	21.9p	3.8	−18.9
Unemployment Rate	percent	Nov.	4.5p	4.7	−19.6
OAHU					
Civilian Labor Force	thous.	Nov.	370.6p	1.1	1.7
Employment	thous.	Nov.	355.2p	0.9	2.7
Unemployment	thous.	Nov.	15.3p	5.5	−17.7
Unemployment Rate	percent	Nov.	4.1p	5.1	−19.6
MAUI COUNTY					
Civilian Labor Force	thous.	Nov.	48.0p	1.3	14.3
Employment	thous.	Nov.	45.8p	1.8	9.0
Unemployment	thous.	Nov.	2.2p	−8.3	−21.4
Unemployment Rate	percent	Nov.	4.6p	−9.8	−25.8
HAWAII					
Civilian Labor Force	thous.	Nov.	51.0p	0.4	5.8
Employment	thous.	Nov.	47.7p	0.0	8.4
Unemployment	thous.	Nov.	3.3p	6.5	−21.4
Unemployment Rate	percent	Nov.	6.5p	6.6	−25.3
KAUAI					
Civilian Labor Force	thous.	Nov.	22.4p	−0.4	0.9
Employment	thous.	Nov.	21.4p	−0.5	3.4
Unemployment	thous.	Nov.	1.1p	0.0	−26.7
Unemployment Rate	percent	Nov.	4.8p	0.0	−27.3
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	Oct.	482.9p	1.6	4.7
SUGAR (Mill and Field)	thous.	Oct.	7.2p	−1.4	−4.0
PINEAPPLE (Cannery and Field)	thous.	Oct.	3.5p	−5.4	0.0
DIVERSIFIED MANUFACTURING (Excluding Sugar and Pineapple)	thous.	Oct.	16.5p	0.0	3.1
Durable Goods	thous.	Oct.	3.5p	1.4	11.1
Non-Durable Goods	thous.	Oct.	13.0p	0.0	0.8
Apparel and Textiles	thous.	Oct.	3.4p	3.0	9.7
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	Oct.	9.2p	7.0	8.2
CONTRACT CONSTRUCTION	thous.	Oct.	19.3p	1.0	3.8
TRANSPORTATION	thous.	Oct.	24.3p	−0.8	5.2
COMMUNICATION	thous.	Oct.	7.1p	0.0	−2.7
UTILITIES	thous.	Oct.	2.5p	0.0	2.0
RETAIL TRADE	thous.	Oct.	98.3p	0.0	4.7
WHOLESALE TRADE	thous.	Oct.	19.6p	0.0	3.2
FINANCE, INSURANCE AND REAL ESTATE	thous.	Oct.	32.7p	0.0	1.6
HOTEL SERVICES—STATE	thous.	Oct.	27.8p	0.0	−2.1
Oahu	thous.	Oct.	16.0p	−0.6	0.6
Maui County	thous.	Oct.	6.3p	1.6	−1.6
Hawaii	thous.	Oct.	3.4p	0.0	−10.5
Kauai	thous.	Oct.	2.2p	0.0	−4.3
OTHER SERVICES	thous.	Oct.	85.5p	−0.1	4.3
FEDERAL GOVERNMENT	thous.	Oct.	32.1p	0.3	−1.5
Civilian Agencies	thous.	Oct.	11.9p	0.8	0.0
Defense Department	thous.	Oct.	20.2p	0.0	−2.4
STATE GOVERNMENT	thous.	Oct.	48.4p	14.2	2.5
COUNTY GOVERNMENT	thous.	Oct.	12.9p	−4.4	1.6
NON-AGRICULTURE SELF-EMPLOYED	thous.	Oct.	34.7p	1.2	30.9
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	Nov.	7,357	−4.2	−12.8
INTRASTATE INITIAL CLAIMS	number	Jan.-Nov.	51,609	.....	−10.9
INTERSTATE INITIAL CLAIMS	number	Jan.-Nov.	3,360	.....	2.4
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	Jan.-Nov.	48,282	.....	−13.1

p = preliminary.

public assistance in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
INCOME MAINTENANCE					
Recipients[1]	no./persons	Nov.	51,873	−0.2	−9.4
Payments	thous. $	Jan.-Nov.	83,714	.....	−6.4
MEDICAL ASSISTANCE					
Recipients[1]	no./patients	October	52,748	8.7	16.4
Payments	thous. $	Jan.-Oct.	136,924	.....	−2.7
FOOD STAMPS					
Recipients[1]	no./persons	October	87,881	−1.5	−7.0
Payments	thous. $	Jan.-Oct.	73,779	.....	−3.9
SERVICES					
Recipients[1]	no./cases	3rd Qtr.	7,944	−4.6	3.2
Payments	thous. $	3rd Qtr.	4,742	.....	19.4

[1]Count of recipients is duplicated. A person may be counted in each category.

banking and finance in hawaii

FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	October	8,003.1	0.7	12.0
Debits To Demand Deposits	mil. $	Jan.-Oct.	88,819.5	.....	13.2
OAHU:					
Total Deposits	mil. $	October	6,650.6	0.5	11.8
Debits To Demand Deposits	mil. $	Jan.-Oct.	80,163.3	.....	12.4
MAUI COUNTY:					
Total Deposits	mil. $	October	520.6	4.3	14.6
Debits To Demand Deposits	mil. $	Jan.-Oct.	3,553.9	.....	16.4
HAWAII:					
Total Deposits	mil. $	October	569.5	0.7	14.7
Debits To Demand Deposits	mil. $	Jan.-Oct.	3,258.7	.....	12.7
KAUAI:					
Total Deposits	mil. $	October	262.4	0.3	5.9
Debits To Demand Deposits	mil. $	Jan.-Oct.	1,483.5	.....	24.9
BANK LOANS OUTSTANDING—STATE[1]	mil. $	3rd Qtr.	4,751.9	0.7	7.9
Real Estate	mil. $	3rd Qtr.	2,002.2	5.6	13.5
Consumer	mil. $	3rd Qtr.	1,067.3	2.2	8.7
Commercial & Industrial	mil. $	3rd Qtr.	1,339.8	−1.6	1.4
Other	mil. $	3rd Qtr.	274.3	−34.3	−18.5
CONVENTIONAL HOME MORTGAGE RATES: HONOLULU SAVINGS & LOAN ASSOCIATIONS[2]	percent	November	10.0	0.0	−13.8
TOTAL DEPOSITS	mil. $	November	3,541.2	1.1	−1.5
TOTAL LOANS	mil. $	November	110.6	−20.0	67.0
MORTGAGE LOANS	mil. $	November	98.7	−18.7	86.8
TAX COLLECTIONS[3]					
STATE	mil. $	Jan.-Nov.	1,508	.....	11.1
Oahu	mil. $	Jan.-Nov.	1,294	.....	10.0
Maui County	thous. $	Jan.-Nov.	91,195	.....	17.8
Hawaii	thous. $	Jan.-Nov.	83,200	.....	14.4
Kauai	thous. $	Jan.-Nov.	39,692	.....	31.6

[1]Figures contain domestic balances only.
[2]Includes Hawaii and Guam. Reporting categories changed in July, 1985.
[3]Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.
n.a. = not available.

room is paid for throughout the term of the contract, but only used occasionally. In addition, there is uncertainty about units subject to rents that fluctuate with the tourist season, but are usually rented out for more than 180 days.

New costs will also be imposed on the various operators of transient accommodations. Out-of-pocket expenses will not only include their share of the tax burden, but the added expense of computing and collecting such taxes. Also, the time spent getting acquainted with the new law to avoid penalties and overcharges will be costly.

Finally, visitors to the islands will be affected by the new tax through changes in the prices of rooms. Most operators will pass on a large portion of the tax to their guests through raised rates. If the general-excise tax is any indicator, operators will pass about 96 percent of the tax onto consumers while shouldering about 4 percent themselves. This new tax will put upward pressure on the price of all temporary lodgings.

The overall effect on tourism is not so clear. Some reduction in the number of hotel reservations might be expected due to the rise in prices. No formal study on the impact of this tax on tourism has been published, but the consensus is that the effect on occupancy levels will be marginal in the short run. Other cost factors may be more influential than the tax. For example, room rate increases themselves will have a larger effect on reservation rates than the addition of another line item on the hotel bill. Some package deals may even conceal the new tax by not stating it explicitly in the cost of the tour.

The long run effects will most likely be marginal. The rise in price is small compared to the total cost of a vacation in Hawaii, and it should do little to change people's vacation plans. At a time when Hawaii's tourist industry faces increased competition, competitive destinations may exploit the new Hawaii tax in their advertisements. But, with Hawaii's rate of 5 percent being neither high nor low, as far as hotel room taxes go, even this exposure of the new tax is not expected to affect tourists' decisions greatly.

To be sure, there may be some changes in the tourist industry because of the tax, not all of them beneficial for the state. But the revenue produced by the new tax will help maintain essential public programs. The general consensus is that the new transient accommodations tax will provide needed revenues to the state without unduly affecting Hawaii's tourist industry or economy.

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ECONOMIC INDICATORS

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by the Research Department, First Hawaiian Bank
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ECONOMIC INDICATORS

ANNUAL SUPPLEMENT

Hawaii in 1986: A Year-End Summary of Hawaii's Economic Indicators and Outlook for 1987

OVERALL TRENDS

The Hawaiian economy achieved a remarkable year of solid and balanced growth in 1986 after a relatively flat year in 1985. The major leaders in Hawaii's strong economic performance in 1986 were the visitor and construction industries. While prospects for continued growth in 1987 continue to be favorable, the ultimate result will depend heavily on economic conditions in the visitor industry's major market areas, including Japan and Canada, as well as movements in interest rates. Overall rates of growth in the various sectors of the Hawaiian economy in 1987 are expected to be positive, although lower than in 1986.

The strength of Hawaii's economic performance in 1986 was most evident in the volume of taxable transactions, which measure the degree of business activity in the economy, and grew by 7 percent to $26.3 billion in 1986. Given the relatively modest increase in the Honolulu Consumer Price Index of 2 percent, real growth in business activity, corrected for inflation, expanded by 5 percent in 1986. This was a noticeable improvement over the flat rate of growth experienced in 1985.

Hawaii's strong economic expansion in 1986 was also evident in income and employment statistics. As of the third quarter of 1986, total personal income grew by 6 percent. Adjusted for a 2-percent rate of inflation, personal income expanded by 4 percent, compared to 2 percent during the same period in 1985. The total number of jobs in the state grew by a healthy 4 percent, the highest rate of increase since 1979. Meanwhile, both the overall civilian labor force and the number of people employed in the labor force, grew by 3 percent, respectively, in 1986, the largest rate of expansion since 1980. As a result, the unemployment rate plunged to 5 percent, the lowest it has been since 1980. State tax revenues also grew by 12 percent in 1986, the largest increase since 1979.

Overall, the Hawaiian economy is returning to the high rates of growth of the late 1970s. From the point of view of gross state product (GSP), a measure of the aggregate sum of goods and services produced in Hawaii, the Hawaiian economy has been continuously growing since the recession years of 1981 and 1982. Estimates of GSP, adjusted for inflation, show that, including all expenditures on personal consumption, investment, government purchases of goods and services, and net exports, the Hawaiian economy expanded by 3 percent in 1986. That continued a trend of four years of positive growth beginning in 1983 after two years of decline during the recession of 1981 and 1982. In current dollars, Hawaii's GSP stood at $17.5 billion in 1986.

THE VISITOR INDUSTRY

The strongest contributor to Hawaii's growth in 1986 was the visitor industry. A total of 5.6 million overnight-and-longer visitors came to Hawaii in 1986. That represented a 14-percent rate of growth, and was the largest expansion in the industry since 1972. Westbound travelers, making up for postponed trips in 1985, and influenced by European terrorism and the fall in the value of the dollar, which increased the price of foreign trips, rose to an all-time high of 4.2 million, an increase of 15 percent. Eastbound travelers, also influenced by the fall in the value of the dollar, grew to another all-time high of 1.3 million, expanding by 14 percent.

Most visitor-industry statistics reflected growth and expansion. Hotel occupancy rates hit an all-time high of 82 percent even though the number of hotel units statewide increased by 389 units to a total of 66,308 units. The average daily visitor census increased by 14 percent. This reflected the greater number of visitors coming to Hawaii, as average lengths of stay dropped 1 percent.

Economic conditions will determine how well the visitor industry performs in 1987. Westbound visitor growth rates, will most likely slow due to expected sluggish growth in the national economy, particularly in major market areas, including southern California, Chicago, and the Dallas/Fort Worth area.

The Japanese visitor market, although encouraged by the fall in the value of the dollar, will be affected by a slowdown in its economy, as exports to the United States decline. Canada, which depends heavily on trade with the U.S., will also be adversely affected. These are principal sources of visitors to Hawaii.

RESEARCH DEPARTMENT
MARCH/APRIL 1987

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Tax reform will have mixed benefits for tourism. Despite lower tax rates, higher-income taxpayers will pay more taxes due to the loss of many personal deductions. Tax reform will also phase out interest deductions on credit-card purchases by visitors, as well as deductions for business-related travel. The impact of tax reform on some businesses is also unclear. The loss of investment tax credits by capital-intensive businesses could result in higher prices to visitors. International oil prices have already begun to increase, as well as some airfares.

Terrorism may be expected to become less of a factor as major European and Mexican destinations aggressively move to recover their share of American visitors in 1987. However, the strengthening of European currencies against the U.S. dollar could discourage Americans from traveling to Europe, and make Hawaii more attractive as an alternate destination.

Given these conditions, the result may well be a reduction from the high double-digit growth experienced in 1986. The annual visitor growth rate for 1987 is anticipated to be in the 4- to 8-percent range.

CONSTRUCTION AND REAL ESTATE

The construction and real estate industries were the other two areas of strength in Hawaii's economy in 1986. The sharp decline in interest rates provided a strong boost to Hawaii's construction industry, particularly after a negative strike-ridden year in 1985. By the end of 1986, the total value of construction-put-in-place rose to $1.8 billion. That represented a growth rate of 27 percent. Adjusted for inflation, the construction industry experienced a real rate of growth of 24 percent in 1986, the largest increase since 1970. Public construction was also very active. Dominated by state government construction projects, the total value of public contracts awarded rose to $422 million in 1986, an increase of 70 percent over 1985. However, building permits, which are an indicator of future construction trends, declined. The total value of residential permits authorized statewide fell to $549 million in 1986, representing a decrease of 3 percent over 1985. Most of the weakness was in single-family units, as multiple-family units, and nonresidential permits exceeded 1985 levels. Income earned by construction-industry workers increased by 22 percent as of the third quarter of 1986.

Hawaii's real estate industry, which is also sensitive to interest rates, expanded in 1986. Resales of single-family homes increased by 27 percent to 3,611 units,

U.S. ECONOMIC INDICATORS

Series	Unit	Period	1986	1985	Percent Change 1985-86
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	quarterly ave.	4,207	3,987	5.5
In 1982 Dollars	bil. $	quarterly ave.	3,676	3,576	2.8
PERSONAL INCOME**	bil. $	monthly ave.	3,487	3,315	5.2
INTEREST RATES					
AVERAGE PRIME RATE	percent	monthly ave.	8.33	9.93	−16.1
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	monthly ave.	376.9	355.6	6.0
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	monthly ave.	374.8	367.7	1.2
Apts, Hotel, Office Bldgs.	1967 = 100	monthly ave.	372.1	366.2	2.3
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	monthly ave.	109,597	107,150	2.3
UNEMPLOYMENT*	thous.	monthly ave.	8,237	8,312	−0.9
UNEMPLOYMENT RATE*	percent	monthly ave.	6.9	7.2	−4.2
PRICES					
CONSUMER PRICE INDEXES					
Wage Earners and Clerical Workers	1967 = 100	monthly ave.	323.4	318.5	1.5
All Urban Consumers	1967 = 100	monthly ave.	328.4	322.2	1.9
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	monthly ave.	289.6p	293.8	−1.4
All Commodities	1967 = 100	monthly ave.	299.9p	308.8	−2.9

p = preliminary. *Seasonally adjusted. **Seasonally adjusted at annual rates.

BUSINESS ACTIVITY IN HAWAII

GROSS STATE PRODUCT*	mil. $	annual total	17,529.7	16,678.9	5.1
BUSINESS SALES					
GROSS BUSINESS RECEIPTS					
STATE	mil. $	annual total	26,335.2	24,630.3	6.9
Oahu	mil. $	annual total	22,110.9	20,742.1	6.6
Maui County	mil. $	annual total	1,842.6	1,694.7	8.7
Hawaii	mil. $	annual total	1,642.4	1,594.5	3.0
Kauai	mil. $	annual total	739.2	599.0	23.4
DIVERSIFIED MANUFACTURING	mil. $	annual total	565.4	538.3	5.0
DIVERSIFIED AGRICULTURE	mil. $	annual total	258.8	251.6	2.9
RETAILING	mil. $	annual total	9,485.2	8,957.3	5.9
WHOLESALING	mil. $	annual total	6,391.5	6,056.5	5.5
SERVICES	mil. $	annual total	6,373.3	5,898.7	8.0
OAHU NEW CAR SALES	number	annual total	37,499p	41,434	−9.5
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Wage Earners and Clerical Workers	1967 = 100	monthly ave.	308.2	301.4	2.3
All Urban Consumers	1967 = 100	monthly ave.	301.1	294.1	2.4
TOURISM					
VISITOR EXPENDITURES	mil. $	annual total	na	4,900,000	.....
OVERNIGHT OR LONGER VISITORS	number	annual total	5,589,280p	4,884,110	14.4
Westbound	number	annual total	4,250,910p	3,708,610	14.6
Eastbound	number	annual total	1,338,370p	1,175,500	13.9
AVERAGE DAILY VISITOR CENSUS	number	monthly ave.	117,903p	103,820	13.6
AVERAGE LENGTH OF STAY	no. of days	monthly ave.	10.1p	10.2	−1.0
MEETING ATTENDANCE	number	annual total	251,371	247,166	1.7
ORGANIZED GROUP TOURS	number	annual total	844,410p	837,570	0.8
VISITOR COUNT BY COUNTY*					
Oahu	number	annual total	3,137,490p	2,828,640	10.9
Maui County	number	annual total	1,998,800p	1,831,060	9.2
Hawaii	number	annual total	787,610p	697,380	12.9
Kauai	number	annual total	1,016,420p	835,580	21.6

p = preliminary. *Estimated. *Estimated Westbound.

BUSINESS ACTIVITY IN HAWAII (cont.)

Series	Unit	Period	1986	1985	Percent Change 1985-86
VISITOR ACCOMMODATIONS					
STATE	number	February	66,308	65,919	0.6
Oahu	number	February	39,010	38,600	1.1
Waikiki	number	February	34,650	33,879	2.3
Maui (Island)	number	February	13,451	13,515	−0.5
Molokai	number	February	635	627	1.3
Lanai	number	February	10	10	0.0
Hawaii	number	February	7,280	7,511	−3.1
Kauai	number	February	5,922	5,656	4.7
HOTEL OCCUPANCY					
STATE	percent	monthly ave.	81.7p	76.1	7.4
Oahu	percent	monthly ave.	85.4p	81.5	4.8
Maui (Island)	percent	monthly ave.	81.5p	78.5	3.8
Hawaii	percent	monthly ave.	62.9p	57.6	9.2
Kauai	percent	monthly ave.	77.6p	64.8	19.8
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	annual total	1,871.9	2,054.6	−8.9
Military Payroll	mil. $	annual total	832.6	849.4	−2.0
Civilian Payroll	mil. $	annual total	618.6	627.5	−1.4
Local Purchases	mil. $	annual total	420.8	577.7	−27.2
SUGAR					
VALUE OF CROP SALES					
(UNPROCESSED CANE)	thous. $	annual total	na	222.4	.....
SUGAR PRODUCTION	thous. tons	annual total	1,042.5	1,012.2	3.0
N. Y. RAW SUGAR PRICE	$/ton	monthly ave.	417.2p	407.8	2.3
PINEAPPLE					
VALUE OF CROP SALES					
(FRESH EQUIVALENT)	mil. $	annual total	241.4	222.5	8.5
FRESH SHIPMENTS	thous. lbs.	annual total	238,362	246,857	−3.4
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	annual total	na	132,126	.....
FLOWERS & NURSERY PRODUCTS	thous. $	annual total	na	44,247	.....
Anthurium Outshipments[1]	th. dozens	annual total	1,831	1,611	13.6
Potted Foliage Plants	thous. $	annual total	na	12,019	.....
FRUITS & NUTS	thous. $	annual total	na	43,244	.....
Papaya Sales	th. lbs.	annual total	49,585	49,250	0.7
Average Farm Price	cents/lb.	monthly ave.	20.1	18.2	10.4
Macadamia Nut Sales (in shell)	th. lbs.	annual total	44,000	42,000	4.8
Average Farm Price	cents/lb.	monthly ave.	80.0	72.5	10.3
VEGETABLES AND MELONS[4]	th. lbs.	annual total	67,067p	66,306	1.1
LIVESTOCK	thous. $	annual total	na	87,025	.....
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	annual total	33,092	33,519	−1.3
Average Farm Price (Feedlot Beef)	cents/lb.	monthly ave.	81.5	83.5	−2.4
HOG PRODUCTION (Dressed Wt.)	th. lbs.	annual total	6,543	6,258	4.6
Average Farm Price	cents/lb.	monthly ave.	104.0	103.5	0.5
MILK PRODUCTION	mil. lbs.	annual total	155.7	142.0	9.6
Average Price Sold to Plants	$/100 lbs.	monthly ave.	20.01	20.29	−1.4
EGG PRODUCTION	mil.	annual total	226.6	220.9	2.6
Average Farm Price	cents/doz.	monthly ave.	78.3	75.3	4.0
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	annual total	7,476	7,057	5.9
GAS SALES	th. therms.	annual total	48,096	48,327	−0.5
TELEPHONE LINES IN SERVICE	thous.	end of period	478.2	465.0	2.8
CONSTRUCTION PUT IN PLACE					
STATE	thous. $	annual total	1,809,983	1,429,598	26.6
Oahu	thous. $	annual total	1,585,669	1,244,750	27.4
Maui County	thous. $	annual total	92,586	73,527	25.9
Hawaii	thous. $	annual total	95,769	81,102	18.1
Kauai	thous. $	annual total	35,959	30,219	19.0
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	monthly ave.	369.9	357.6	3.4
HIGH RISE	1967 = 100	monthly ave.	385.9	375.2	2.8

p = preliminary.
[1]Estimated Westbounds.
[2]Gross taxable income valued at time of shipment.
[3]From Hawaii County.
[4]Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, tomatoes, and watermelons.

while condominium resales advanced by 32 percent to 4,389 units. Meanwhile, prices in both categories saw a respective 10- and 9-percent increase, giving further evidence of a gradual tightening in the supply of housing units throughout the state. For the entire year, the total value of real-estate resales, statewide, stood at $1.2 billion.

The prospects for construction and real estate continue to look good in 1987. Given a scenario of moderate expansion in the national economy, interest rates should remain at levels conducive to continued investment in residential and nonresidential construction. The one potentially adverse factor in 1987 is tax reform, although it should not have an effect on foreign investment in real estate. Deletion of the investment tax credit, lengthening of depreciation schedules, and the elimination of tax shelters could affect investment in nonresidential construction. The elimination of preferential tax rates on capital gains and tax shelters, including the ability to take unlimited passive losses on real estate investments, will particularly affect real estate markets. Thus, growth in the construction industry statewide will probably fall back into the 5- to 10-percent range: the same can be said for real estate.

MILITARY EXPENDITURES

The one sector that remained weak in 1986 was military expenditures, principally because of federal budget cutbacks. Total appropriated military funds stood at $1.9 billion for 1986. That represented a decline of 9 percent. Adjusted for inflation, growth in military appropriations stood at −11 percent, and continued the past three-year trend of flat to negative growth.

Adjusted for inflation, military payrolls were down 4 percent, civilian payrolls declined 3 percent, and local purchases of goods and services fell 29 percent. Job counts in defense-department related occupations declined 2 percent from 20,800 to 20,400 jobs. The actual number of military personnel stationed in Hawaii remained static at 58,584 persons, while the number of civilian military dependents saw a small 3-percent expansion to 66,210 persons.

Given the status of federal deficit-reduction measures, the probability of increased defense expenditures does not appear likely, and the prospects are for flat growth in real terms for 1987.

SUGAR

After a two-year decline in revenues, the sugar industry enjoyed a positive turnaround in 1986. Efforts to increase

productivity and yields resulted in record sugar yields of 12.5 tons per acre in 1986 due to: more extensive use of drip irrigation (now in use in 80 percent of the sugar fields); introduction of new and more productive cane varieties; and efforts to reduce sugar losses in harvesting, transportation, and processing operations. Raw sugar production reached 1,042,400 tons in 1986, a 3-percent increase over 1985. But, most importantly, sugar prices increased over the year. The New York Raw Sugar Price increased by 2 percent to $417 per ton, and revenues to the industry came to $377 million, representing a strong 5-percent increase.

In addition, molasses production increased by 30 percent to 295,400 tons. This reversed the 28-percent decline in molasses output experienced in 1985. Surplus electricity generated by the plantation mills also increased by 30 percent to 433 million kilowatt hours. As a result, revenues from raw sugar production rose by 4 percent to $346 million, molasses revenues increased by 49 percent to $14 million, and electricity revenues grew by 2 percent to $17 million. Continuing cost-cutting measures, however, resulted in a decline in employment of 3 percent to 7,300 workers.

The outlook for 1987 appears optimistic. The only potential cloud is the Reagan Administration attempt to reduce price support levels. Sugar industry officials believe that there is strong opposition in Congress against such legislation, and that the proposed bill will be defeated.

Capital improvements in drip irrigation, more productive cane varieties, and cost reductions in processing and labor costs have resulted in Hawaii being one of the most productive sugar producers in the world. The newly announced 12-month, 1-million ton foreign sugar import quota was good news for Hawaii. The reduced quota will halt the slide in sugar prices, and should stabilize the value of sugar output. Assuming further increases in productivity, no offsetting decreases in acreage planted, and stable prices, the industry should see healthy increases in production and revenues in 1987.

PINEAPPLE

The pineapple industry experienced a year of healthy growth, due to improved weather, after a dip in 1985. Total pineapple production, including processed and fresh fruit, increased a strong 14 percent from 565,000 tons to 646,000 tons in 1986. Processed fruit production saw a strong increase of 16 percent from 441,000 tons to 514,000 tons in 1986.

BUSINESS ACTIVITY IN HAWAII (cont.)

Series	Unit	Period	1986	1985	Percent Change 1985-86
PRIVATE PERMITS AUTHORIZED					
STATE:					
RESIDENTIAL	thous. $	annual total	548,837	566,033	−3.0
Single Family Units	number	annual total	4,534	4,741	−4.4
Multiple Family Units	number	annual total	2,645	2,556	3.5
NONRESIDENTIAL	thous. $	annual total	473,587	323,256	46.5
OAHU:					
RESIDENTIAL	thous. $	annual total	332,934	289,508	15.0
Single Family Units	number	annual total	2,061	2,324	−11.3
Multiple Family Units	number	annual total	2,098	1,856	13.0
NONRESIDENTIAL	thous. $	annual total	200,584	225,323	−11.0
MAUI CO.:					
RESIDENTIAL	thous. $	annual total	104,749	145,915	−28.2
Single Family Units	number	annual total	911	984	−7.4
Multiple Family Units	number	annual total	506	457	10.7
NONRESIDENTIAL	thous. $	annual total	48,298	32,718	47.6
HAWAII:					
RESIDENTIAL	thous. $	annual total	69,106	83,554	−17.3
Single Family Units	number	annual total	1,126	980	14.9
Multiple Family Units	number	annual total	39	192	−79.7
NONRESIDENTIAL	thous. $	annual total	162,395	37,885	328.7
KAUAI:					
RESIDENTIAL	thous. $	annual total	42,046	47,050	−10.6
Single Family Units	number	annual total	436	453	−3.8
Multiple Family Units	number	annual total	2	51	−96.1
NONRESIDENTIAL	thous. $	annual total	51,429	16,838	205.4
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS:					
STATE	thous. $	annual total	422,740	248,872	69.9
Oahu	thous. $	annual total	312,404	177,243	76.3
Maui County	thous. $	annual total	58,738	37,766	55.5
Hawaii	thous. $	annual total	37,717	18,520	103.7
Kauai	thous. $	annual total	13,065	15,346	−14.9
BY LEVEL OF GOVERNMENT:					
Federal	thous. $	annual total	105,332	75,095	40.3
State	thous. $	annual total	206,663	94,658	118.3
County	thous. $	annual total	110,746	79,119	40.0
REAL ESTATE					
RESALES					
STATE: Single Family	number	annual total	3,611	2,837	27.3
Average Price	dollars	monthly ave.	185,945	169,576	9.7
Condominium	number	annual total	4,389	3,333	31.7
Average Price	dollars	monthly ave.	112,691	102,966	9.4
OAHU: Single Family	number	annual total	2,498	1,670	49.6
Average Price	dollars	monthly ave.	212,140	188,016	12.8
Condominium	number	annual total	3,408	2,738	24.5
Average Price	dollars	monthly ave.	107,857	99,597	−4.6
MAUI CO.: Single Family	number	annual total	386	259	49.0
Average Price	dollars	monthly ave.	174,763	151,865	15.1
Condominium	number	annual total	669	424	57.8
Average Price	dollars	monthly ave.	142,717	123,471	15.6
HAWAII: Single Family	number	annual total	565	416	35.8
Average Price	dollars	monthly ave.	101,098	93,775	7.8
Condominium	number	annual total	142	93	52.7
Average Price	dollars	monthly ave.	104,186	97,718	6.6
KAUAI: Single Family	number	annual total	162	90	80.0
Average Price	dollars	monthly ave.	140,697	146,375	−3.9
Condominium	number	annual total	170	78	117.9
Average Price	dollars	monthly ave.	101,767	115,987	−12.3

p = preliminary.

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POPULATION IN HAWAII

Series	Unit	Period	1986	1985	Percent Change 1985-86
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1	1,176.7	1,152.0	2.1
Total Resident Population	thous.	July 1	1,062.3	1,053.9	0.8
OAHU:					
Total De Facto Population	thous.	July 1	na	865.1	.....
Total Resident Population	thous.	July 1	na	814.6	.....
MAUI COUNTY:					
Total De Facto Population	thous.	July 1	na	115.5	.....
Total Resident Population	thous.	July 1	na	85.3	.....
HAWAII:					
Total De Facto Population	thous.	July 1	na	115.8	.....
Total Resident Population	thous.	July 1	na	109.2	.....
KAUAI:					
Total De Facto Population	thous.	July 1	na	55.6	.....
Total Resident Population	thous.	July 1	na	44.8	.....
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1	1,004.2	997.5	0.7
MILITARY PERSONNEL:					
STATE	number	July 1	58,584	58,005	1.0
Ashore	number	July 1	53,616	53,848	−0.4
Afloat	number	July 1	4,968	4,157	19.5
CIVILIAN MILITARY DEPENDENTS	number	July 1	66,210	64,281	3.0
FOREIGN IMMIGRATION[1]	number	annual total	5,557	5,569	−0.2

INCOME IN HAWAII

INCOME					
TOTAL PERSONAL INCOME**	mil. $	3rd qtr. ave.	15,301p	14,424	6.1
EMPLOYMENT INCOME[2]	mil. $	3rd qtr. ave.	11,603p	10,910	6.4
Manufacturing	mil. $	3rd qtr. ave.	528p	496	6.4
Construction & Mining	mil. $	3rd qtr. ave.	814p	665	22.3
Wholesale	mil. $	3rd qtr. ave.	450p	436	3.1
Retail	mil. $	3rd qtr. ave.	1,309p	1,254	4.4
Finance, Ins., & Real Estate	mil. $	3rd qtr. ave.	851p	726	17.2
Trans., Comm., & Util.	mil. $	3rd qtr. ave.	913p	901	1.3
Services	mil. $	3rd qtr. ave.	2,867p	2,670	7.4
Farm & Other	mil. $	3rd qtr. ave.	318p	311	2.2
Federal Civilian	mil. $	3rd qtr. ave.	977p	969	0.8
Federal Military	mil. $	3rd qtr. ave.	1,350p	1,297	4.1
State & Local	mil. $	3rd qtr. ave.	1,242p	1,183	5.0
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	3rd qtr. ave.	2,258p	2,152	4.9
TRANSFER PAYMENTS (2,204) minus Personal Contributions for Social Insurance (763)	mil. $	3rd qtr. ave.	1,441p	1,362	5.8
PER CAPITA PERSONAL INCOME:					
STATE	dollars	annual total	na	na	.....
Oahu	dollars	annual total	na	na	.....
Maui County	dollars	annual total	na	na	.....
Hawaii	dollars	annual total	na	na	.....
Kauai	dollars	annual total	na	na	.....

***Total personal income and all components are seasonally adjusted at annual rates.*
[1]Includes only those entering Honolulu ports and do not include status changes.
[2]Includes wage and salary disbursements, proprietors' income, and other labor income.

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While prices slipped slightly from $90 to $89 per ton, the value of production increased by 15 percent to $45.8 million. As a result, the total retail value of processed and fresh pineapple saw a strong 9-percent increase from $222 million to $241 million in 1986. Fresh pineapple production increased by 6 percent from 124,000 tons to 132,000 tons in 1986. Higher prices for fresh pineapples resulted in an increase in revenues of 8 percent from $50.8 million in 1985 to $54.9 million in 1986. Lower costs aided the increase in revenues from processed fruit. Another indication of the health of the industry was the 4-percent growth in 1986 employment to roughly 4,000 people. With a strengthening in the fresh pineapple market, and continuing growth in processed fruit, the industry should continue to see positive growth in 1987.

DIVERSIFIED AGRICULTURE

Diversified agricultural enterprises, as a whole, saw positive growth in 1986, growing by 3 percent from $252 to $259 million. Employment in diversified agriculture also increased 12 percent from 7,400 persons to 8,300 persons in 1986. Aggregate income rose a modest 1-percent as of the third quarter of 1986.

Macadamia Nuts

The production of macadamia nuts has been increasing steadily as new fields reach bearing age, and maturing trees increase their yield. Farm sales of macadamia nuts in shells hit an all-time record 44 million pounds in 1986, a 5-percent gain over the 1985 harvest. The average farm price for 1986 rose by 10 percent to 80 cents per pound. Given these increases in production and prices, the 1986 farm value of macadamia nuts rose by 16 percent to $35.2 million, compared to $30 million in 1985. 1986 was the best year on record for the industry.

1987 production is expected to reach another record. In 1986, bearing acreage expanded to 14,400 acres. Also, the number of macadamia nut farms increased from 610 to 645 farms, while total acreage planted in macadamia nuts reached 21,300. With such numbers, another record harvest for 1987 is assured barring a bad drought, wind damage, or a fall in prices. Macadamia nuts will continue to grow and dominate as Hawaii's premier diversified agricultural export crop.

Papayas

The papaya industry continued its comeback from 1985 setbacks due to bad weather, overproduction, and fruit processing problems. Fresh fruit production in 1986 saw a marginal increase

million pounds. However, the average price of fresh fruit saw a healthy 30-percent increase from 18 to 20 cents resulting in a strong 31-percent increase in the value of sales of fresh fruit from $8.3 to $10.9 million in 1986. Of the total amount of fresh fruit produced, 16.3 million pounds were consumed locally, 20 million pounds were exported to the Mainland, 10.1 million pounds to Japan, and 3.3 million pounds to Canada.

The outlook for papaya production is good. Increases in acreage in planting grew by a substantial 25 percent in 1986. Since the productivity of papaya trees is higher in the first year of bearing, total production of papayas is expected to increase by over 30 percent in 1987. However, problems of lumpy fruit associated with the hot-water treatment method have been much publicized. Fruit-fly infestation has been cited by west-coast markets. Development of an irradiation fruit-fly treatment facility is still being debated. It is obvious from recent events that a reliable irradiation treatment capability is absolutely crucial to the well-being, if not the survival, of the industry.

Another issue facing papaya growers in 1987 will be price stability. The large expected increase in production will threaten prices. Orderly market expansion will be necessary to keep demand growing in step with increases in production, and avoid the destructive gluts that devastated the industry in 1985. Otherwise, the industry should see strong expansion and growth in 1987.

Flowers and Nursery Products

Flowers and nursery products are not only the biggest segment of Hawaii's growing diversified agriculture industry, but are also the fastest growing segment of the industry. Flowers and nursery products generated $44.2 million worth of production in 1985, which amounted to 34 percent of the farm value of all diversified crops. This overall share of the diversified agricultural market has been increasing continuously since 1981 when it constituted 28 percent of the overall industry.

Potted plants for indoor use continue to make hefty gains in annual sales. Latest figures show sales of $12 million for 1985, up 20 percent over 1984 sales volume. Other foliage sales recorded strong gains also, with plants for landscape use up 46 percent to $1.8 million, and growing stock up 21 percent to $1.8 million.

Anthuriums, the second most valuable crop in this category, had a 4-percent gain, with 1985 sales reaching

EMPLOYMENT AND JOBS IN HAWAII

Series	Unit	Period	1986	1985	Percent Change 1985-86
EMPLOYMENT					
STATE:					
Civilian Labor Force	thous.	monthly ave.	493.8	479.1	3.1
Employment	thous.	monthly ave.	468.6	454.1	3.2
Unemployment	thous.	monthly ave.	25.0	25.0	0.0
Unemployment Rate	percent	monthly ave.	5.1	5.2	−2.1
OAHU:					
Civilian Labor Force	thous.	monthly ave.	371.3	364.1	2.0
Employment	thous.	monthly ave.	354.5	347.0	2.2
Unemployment	thous.	monthly ave.	16.8	17.1	−1.8
Unemployment Rate	percent	monthly ave.	4.5	4.7	−4.3
MAUI COUNTY:					
Civilian Labor Force	thous.	monthly ave.	47.9	45.0	6.6
Employment	thous.	monthly ave.	45.2	42.5	6.4
Unemployment	thous.	monthly ave.	2.7	2.6	3.8
Unemployment Rate	percent	monthly ave.	5.6	5.7	−1.5
HAWAII:					
Civilian Labor Force	thous.	monthly ave.	51.9	48.0	8.1
Employment	thous.	monthly ave.	47.8	44.1	8.4
Unemployment	thous.	monthly ave.	4.1	4.0	2.5
Unemployment Rate	percent	monthly ave.	7.8	8.2	−4.2
KAUAI:					
Civilian Labor Force	thous.	monthly ave.	22.8	22.0	3.6
Employment	thous.	monthly ave.	21.4	20.7	3.4
Unemployment	thous.	monthly ave.	1.5	1.4	3.6
Unemployment Rate	percent	monthly ave.	6.3	6.2	1.6
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	monthly ave.	479.8	461.4	4.0
SUGAR (Mill and Field)	thous.	monthly ave.	7.3	7.6	−3.3
PINEAPPLE (Cannery and Field)	thous.	monthly ave.	4.0	3.9	3.7
DIVERSIFIED MANUFACTURING (Excluding Sugar and Pineapple)	thous.	monthly ave.	16.6	15.9	4.4
Durable Goods	thous.	monthly ave.	3.5	3.1	11.5
Non-Durable Goods	thous.	monthly ave.	13.1	12.7	2.8
Apparel and Textiles	thous.	monthly ave.	3.4	3.1	11.5
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	monthly ave.	8.3	7.4	12.2
CONTRACT CONSTRUCTION	thous.	monthly ave.	17.9	18.1	−1.1
TRANSPORTATION	thous.	monthly ave.	24.5	22.8	7.5
COMMUNICATION	thous.	monthly ave.	7.1	7.4	−3.4
UTILITIES	thous.	monthly ave.	2.5	2.4	2.0
RETAIL TRADE	thous.	monthly ave.	98.1	94.2	4.1
WHOLESALE TRADE	thous.	monthly ave.	19.6	19.1	2.9
FINANCE, INSURANCE AND REAL ESTATE	thous.	monthly ave.	32.6	32.2	1.2
HOTEL SERVICES—STATE	thous.	monthly ave.	28.0	28.7	−2.3
Oahu	thous.	monthly ave.	16.3	16.1	1.2
Maui County	thous.	monthly ave.	6.1	6.6	−7.6
Hawaii	thous.	monthly ave.	3.5	3.8	−9.2
Kauai	thous.	monthly ave.	2.2	2.3	−4.3
OTHER SERVICES	thous.	monthly ave.	85.6	81.4	5.1
FEDERAL GOVERNMENT	thous.	monthly ave.	32.1	32.5	−1.2
Civilian Agencies	thous.	monthly ave.	11.8	11.8	0.0
Defense Department	thous.	monthly ave.	20.4	20.8	−1.7
STATE GOVERNMENT	thous.	monthly ave.	48.6	47.4	2.5
COUNTY GOVERNMENT	thous.	monthly ave.	13.2	13.5	−2.6
NON-AGRICULTURE SELF-EMPLOYED	thous.	monthly ave.	33.9	27.1	25.1
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	monthly ave.	8,928	10,597	−15.7
INTRASTATE INITIAL CLAIMS	number	annual total	59,975	66,913	−10.4
INTERSTATE INITIAL CLAIMS	number	annual total	3,983	4,040	−1.4
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	annual total	56,149	64,617	−13.1

p = preliminary

PUBLIC ASSISTANCE IN HAWAII

Series	Unit	Period	1986	1985	Percent Change 1985-86
PUBLIC ASSISTANCE					
INCOME MAINTENANCE:					
Recipients[1]	no./persons	monthly ave.	53,986	58,497	−7.7
Payments	thous. $	annual total	91,099	97,465	−6.5
MEDICAL ASSISTANCE:					
Recipients[1]	no./patients	monthly ave.	48,207	47,819	0.8
Payments	thous. $	annual total	162,593	168,850	−3.7
FOOD STAMPS:					
Recipients[1]	no./persons	monthly ave.	90,434	97,261	−7.0
Payments	thous. $	annual total	88,408	92,274	−4.2
SERVICES:					
Recipients[1]	no./cases	quarterly ave.	7,919	7,483	5.8
Payments	thous. $	annual total	17,991	15,535	15.8

[1]Count of recipients is duplicated. A person may be counted in each category.

BANKING AND FINANCE IN HAWAII

FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	monthly ave.	7,800.5	6,930.8	12.5
Debits To Demand Deposits	mil. $	annual total	110,882.1	95,843.4	15.7
OAHU:					
Total Deposits	mil. $	monthly ave.	6,486.1	5,738.9	13.0
Debits To Demand Deposits	mil. $	annual total	99,636.9	87,246.0	14.2
MAUI COUNTY:					
Total Deposits	mil. $	monthly ave.	500.4	450.0	11.2
Debits To Demand Deposits	mil. $	annual total	4,336.1	3,681.4	17.8
HAWAII:					
Total Deposits	mil. $	monthly ave.	554.0	498.7	11.1
Debits To Demand Deposits	mil. $	annual total	3,948.6	3,502.4	12.7
KAUAI:					
Total Deposits	mil. $	monthly ave.	260.0	243.3	6.9
Debits To Demand Deposits	mil. $	annual total	1,796.6	1,440.6	24.7
BANK LOANS OUTSTANDING—STATE:	mil. $	quarterly ave.	4,791.1	4,437.7	8.0
Real Estate	mil. $	quarterly ave.	1,971.3	1,788.2	10.2
Consumer	mil. $	quarterly ave.	1,289.9	1,008.0	28.0
Commercial & Industrial	mil. $	quarterly ave.	1,377.0	1,307.6	5.3
Other	mil. $	quarterly ave.	340.2	333.9	1.9
CONVENTIONAL HOME MORTGAGE RATES:					
HONOLULU	1 percent	monthly ave.	10.0	12.0	−16.7
SAVINGS & LOAN ASSOCIATIONS:[2]					
TOTAL DEPOSITS	mil. $	monthly ave.	3,538.3	3,678.3	−3.8
TOTAL LOANS	mil. $	monthly ave.	109,543.0	na	.....
MORTGAGE LOANS	mil. $	monthly ave.	95.5	55.1	73.3
TAX COLLECTIONS:[3]					
STATE	mil. $	annual total	1,658.5	1,479.0	12.1
Oahu	mil. $	annual total	1,421.7	1,283.0	10.8
Maui County	mil. $	annual total	101.4	82.9	22.3
Hawaii	mil. $	annual total	92.1	79.3	16.1
Kauai	mil. $	annual total	43.4	33.8	28.4

[1]1985 based on 11 months data. 1984 based on 10 months data.
[2]Includes data for both Hawaii and Guam. Reporting categories changed in July, 1985.
[3]Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

$7.6 million. The modest gain was due to the drop in shipments to Italy, Switzerland, and Australia. The industry made up for this by increasing shipments to the Mainland and Japan. The prospects for 1986 appear much better, particularly due to the weakness of the U.S. dollar. Preliminary data for anthurium outshipments show a 14-percent increase from 1.6 to 1.8 million dozens in 1986.

Coffee

Coffee is developing into an increasingly important export crop, with production expected to increase as acreage expands over the next several years. The 1986 crop totaled 1.9 million pounds. Coffee harvest begins in September and continues through the early months of the following year. Sales value of the parchment (seed processed and ready for roasting) amounted to $5.2 million in 1986, slightly below the returns for the previous year, due to lower yields caused by dry weather.

Production for 1987 is forecasted at 2.9 million pounds, which represents a 57-percent increase over 1986. At a price estimated at $3 a pound, the farm value of the 1987 harvest would amount to $8.7 million, a hefty 68-percent increase over 1986. Given the high value of Kona coffee, and its market acceptance as a gourmet product, the prospects are good for increases in production and acreage in the years ahead.

Livestock

Except for the cattle industry, the livestock sector posted strong improvement in 1986 after a flat 1985. Milk production increased a strong 10-percent, which resulted in an 8-percent rise in value of sales from $28.3 to $30.7 million in 1986. Hog growers experienced a 5-percent increase in production from 6.3 to 6.5 million pounds in 1986 and a 1 percent increase in average prices, which resulted in a 5-percent increase in revenues from commercially slaughtered hogs from $6.5 to $6.8 million in 1986. Egg production also increased in output, prices, and revenues. The number of eggs produced increased by 3 percent to 227 million eggs in 1986. At the same time, average prices increased by 4 percent to 78.3 cents a dozen in 1986. That resulted in a 7-percent increase in the value of sales from $13.9 to $14.8 million in 1986. The only industry remaining static in 1986 was the cattle industry. Beef production, in terms of the volume of dressed weight of commercially slaughtered beef, declined by 1 percent from 33.5 to 33.0 million pounds, while prices declined slightly from 83.5 cents a pound to 81.5 cents a pound in 1986.

TRADE AND SERVICES

The banner performance of the visitor industry in 1986 set the stage for strong growth in Hawaii's trade and service industries. In 1986, business receipts from trade and services came to $22.2 billion and represented an increase of 6 percent over the $20.9 billion generated in 1985. Income earned by workers in the trade and service industries also grew by 6 percent from $4.4 to $4.6 billion in 1986. Job growth in these industries was also strong, climbing by 4 percent from 223,400 to 231,300 jobs in 1986. The significance of the trade and service industries to the Hawaiian economy becomes more evident when it is seen that these industries generate 84 percent of the total business revenues of the state, 40 percent of the total employment income in the state, and 48 percent of all the jobs in the state. Given the expectation of continued growth in the visitor industry for 1987, growth in the trade and service sectors should continue, although some moderation in growth rates should be expected given the projected slowdown in tourism growth. Trade and services, however, will continue to be the strongest generators of revenues, income and jobs for the Hawaiian economy in the year ahead.

TRANSPORTATION, COMMUNICATIONS, AND UTILITIES

The transportation, communications, and utilities sector of the economy recorded a modest 1-percent increase in employment income from $901 to $913 million in 1986, based on third-quarter averages. Measured in terms of job growth, transportation and utilities did much better than communications. The strong performance of the tourism industry stimulated an 8-percent increase in transportation jobs to 24,500 jobs. Communication jobs were down by 4 percent to 7,100 jobs, but utilities jobs rose by 4 percent to 2,500 jobs. These patterns were also reflected in the fact that the volume of electricity generated statewide saw a strong increase of 6 percent, while telephone lines put into service grew at a moderate 3-percent rate in 1986. Sales of gas for household consumption, however, remained flat during the year.

DIVERSIFIED MANUFACTURING

Diversified manufacturing, which includes the garment industry, construction materials, paper, machinery and equipment, chemical and petroleum refining, furniture, and other manufacturers, saw healthy growth in 1986. Business revenues to the sector, as a whole, saw a strong 5-percent increase from $538 to $565 million in 1986. Income grew by a strong 6 percent, as did jobs, which grew by 4 percent to 16,600 jobs in 1986. The strongest growth was in those industries related to tourism. Apparel and textiles saw an over-the-year job growth of 10 percent to 3,400 jobs. This contributed to an overall job growth in non-durable goods of 2 percent, to 13,100 jobs. Durable goods manufacturing jobs increased by 11 percent to 3,500 jobs in 1986.

GOVERNMENT

Civilian government makes up a large part of the state economy. In 1986, the three levels of government employed 73,500 persons, 15 percent of total jobs in the state. This group's earnings for 1986 were $2.2 billion, based on a nine-month average, and grew by 3 percent over 1985. Federal civilian jobs totaled 11,800, exactly the same as in 1985, but income, based on a nine-month average, was up by 1 percent to $977 million. State government jobs increased by 2 percent to 48,600 jobs, but county jobs declined by 3 percent to 13,200 jobs. State and county income, based on a nine-month average, grew by 5 percent to $1.2 billion. Prospects for 1987 appear to be modest at best, with the Federal government trying to hold the line on employment as a result of federal budget deficit reduction. State and county governments will also be likely to feel the pressure of cutbacks in federal spending. However, much will also depend on changing budgetary priorities, particularly in view of the new state government administration.

CONCLUSION

The Hawaiian economy experienced a year of exceptionally strong and balanced growth in 1986. The only exception was the military, and those sectors of the civilian government affected by federal budget policies. Given the outlook for federal deficit-reduction measures, the chances for an improvement in these sectors do not appear bright. The other major sectors, however, performed well, and can be expected to show continuing strong growth in 1987. Continuing moderate, but stable growth in the national economy and stability in interest rates, tempered by the effects of tax reform, should generate growth in Hawaii's two leading industries, tourism and construction. In turn, the strength in tourism will stimulate growth in trades, services, transportation, and non-durable goods manufacturing, while Hawaii's agricultural industries continue to show consolidation and expansion.

Aggregate economic indexes are expected to show healthy increases for 1987. Gross State Product, which grew by 5 percent in 1986 to $17.6 billion, is expected to increase by another 5 percent to $18.5 billion in 1987. Total personal income is expected to grow by 5 percent to $16.1 billion, while the Honolulu Consumer Price Index is expected to increase by 3 percent, over the 2 percent experienced in 1986. The increase in inflation will mean that real growth in Hawaii's economy will slow slightly from 3 percent in 1986 to 2 percent in 1987. Likewise, growth in total personal income will also slow down from 4 percent in 1986 to 2 percent in 1987. Thus, the overall outlook for Hawaii's economy in 1987 is for continuing, although slightly slower, aggregate economic expansion, with continuing growth in personal income, and a moderate increase in inflation.

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ECONOMIC INDICATORS

Research Department, First Hawaiian Bank

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Is Hawaii Facing A Potential Labor Shortage?

The most important index of the economic well-being of a community is the proportion of people in the labor force gainfully employed in meaningful work. In 1986, Hawaii experienced an average unemployment rate of 5 percent, the lowest level since the boom years of the 1970s. This is good news. But, Hawaii could be facing labor shortages at a time when economic growth rates, and their associated labor demands, are expected to increase.

At a more fundamental level, Hawaii is experiencing demographic changes that mirror trends at the national level, and involve a long-term slowdown in population and labor force growth. During the 1950s, after World War II and the Korean War, the total U.S. population growth rate rose to a high average annual rate of 2 percent, creating the post-war "baby-boom generation." During the '60s and the '70s, the population growth rate declined until reaching 1 percent in the 1980s. This directly affected patterns of growth in the labor force. From a low labor force growth rate of 1 percent during the 1950s, the rate of expansion increased to a high of 3 percent in the '70s as the wave of young workers born in the '50s entered the labor force. Labor force growth, however, slowed to 1 percent in the '80s, and is expected to slow further through the '90s.

Hawaii has been experiencing similar trends. From a low average population growth rate of 2 percent in the 1940s, Hawaii's population growth rate picked up dramatically to 3 percent in the post-war 1950s, following the national trend. The population growth rate then fell off during the '60s and '70s until it hit 2 percent in the 1980s. These population shifts were reflected in the growth patterns of Hawaii's labor force. From a low average growth rate of 2 percent during the 1950s, the labor force growth rate hit an all-time high of 5 percent in the 1970s as the baby-boom generation, then in its late teens and early twenties, entered the labor force. Since then, annual labor-force growth has fallen considerably to 2 percent per year in the 1980s, and is expected to decline to 1 percent in the '90s, and 0.5 percent by 2000.

The slowdown in population and labor-force growth as economic activity and labor demand grows will result in a tighter labor market. The proportion of younger workers in the labor force will diminish, and the labor force will be older. On the other hand, more opportunities will be created for women, less-advantaged minorities, and in-migrants from the mainland and foreign countries (see Inside Story: Hawaii's New Immigration Law).

In the meantime, the uneven distribution of labor throughout the state will result in potentially acute labor shortages on the neighbor islands where tourism and construction activity are expected to increase in the years to come. In areas where labor shortages persist, wages may tend to rise. Skill shortages in key occupational areas could result in many workers changing jobs five or six times during their working life.

The impact on businesses will be significant. The aging of the labor force will mean higher productivity. But, it will also mean higher wages, medical and retirement costs, and training and unemployment expenditures due to higher rates of labor turnover. The increase in pensions and benefits could influence collective bargaining, resulting in increased investment in labor-saving technology to raise productivity and control labor costs.

The implications of these changes for public policies will be profound. To address the issue of potential labor shortages, the available supply of labor must be increased by expanding the employability of traditionally underutilized segments of the population, including labor-force entrants with lower levels of education, social and verbal skills, and cultural familiarity. Traditional constraints to greater labor-market participation need to be remedied, such as adequate child-care provision for working mothers. Handicapped workers can be assisted through programs of education and training, while programs to integrate immigrants into the labor force will have to be expanded. Another priority will be to retrain existing and dislocated workers to fulfill the demands of a changing labor market.

The accomplishment of these objectives will require better relationships between vocational education, human-service, job training, and economic-development programming. The ultimate goal would be to develop a more comprehensive, yet coordinated, human-resource development policy for Hawaii. Businesses and unions can also assist through improved manpower planning and training programs, including the retraining of workers, and the development of more flexible work rules, benefit plans, and pension systems.

As Hawaii begins to face the prospect of a slowdown in labor force growth, and potential labor shortages in the years ahead, the need will be greater than ever to understand the human implications of economic-development policies, and to create policies to help Hawaii residents fill the jobs of the future. This will require not only sophisticated and farsighted human-resource development policies, but cooperation between government, business, and labor. Although the challenges may be great, it will only be by meeting them that the future economic well-being of Hawaii's people can be secured.

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MARCH/APRIL FEATURE STORY: HAWAII'S NEW IMMIGRATION LAW

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CURRENT BUSINESS TRENDS

It looks like Hawaii's visitor industry picked up where it left off in 1986. January visitors, totalling 483,620, kicked off 1987 with an 11-percent increase over January 1986. This increase was mostly attributable to the large number of eastbound visitors, up 31 percent for a total of 130,550. Westbound arrivals totalled 353,070 up 5 percent from January 1986.

Tourist traffic increased on all islands. For the first time in several months, the Big Island outpaced the rest with 78,600 visitors, up 14 percent. Kauai continued its steady rate of growth at 9 percent, and Oahu and Maui followed with increases of 3 and 2 percent, respectively. However, occupancy rates for the state were down reflecting sharp drops in Maui, Hawaii, and Kauai. Oahu's occupancy rate was up to 89 percent.

Business conditions throughout the state were also encouraging. Gross business receipts for the state were up 11 percent from January 1986 at $2.6 billion.

Defense spending decreased again for its fifth straight quarter. Appropriated funds by all branches of the military reached a 4-year low of $461.4 million in the fourth quarter of 1986, down 9 percent from the 1985 fourth quarter number of $507.3 million. These steady decreases have been largely due to sharp drops in local purchases of goods and services, which fell 27 percent from $133.1 million in the fourth quarter of 1985 to $90.5 million in the fourth quarter of 1986.

The construction industry started the year off well with strong gains in January. Construction-put-in-place for the state totalled $169 million up 19 percent from the same period last year. Oahu and Maui's numbers were up 20 and 5 percent, while Hawaii and Kauai's increased 26 and 6 percent from January, 1986. Private permits were also

u. s. economic indicators

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	4th Qtr.	4,261	0.5	4.2
In 1982 Dollars	bil. $	4th Qtr.	3,698	0.3	2.1
PERSONAL INCOME**	bil. $	January	3,548p	0.0	3.8
INTEREST RATES					
AVERAGE PRIME RATE	percent	February	7.50	0.0	-21.1
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	January	378.5p	1.0	1.4
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	November	374.8	0.5'	1.6
Apts., Hotels, Office Bldgs.	1967 = 100	November	372.3	0.4'	1.6
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	January	119,034	0.4	1.9
UNEMPLOYMENT*	thous.	January	8,023	0.9	1.5
UNEMPLOYMENT RATE*	percent	January	6.7	0.0	-1.5
PRICES					
CONSUMER PRICE INDEXES					
Wage Earners and Clerical Workers	1967 = 100	January	327.7	0.6	1.0
All Urban Consumers	1967 = 100	January	331.1	0.0	0.8
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	January	291.7	0.6	-1.4
All Commodities	1967 = 100	December	298.1	-0.2	-3.9

r = revised
p = preliminary
'Compared to July, 1986
*Seasonally adjusted
**Seasonally adjusted at annual rates

business activity in hawaii

GROSS STATE PRODUCT'	mil. $	Annual Total	17,529.7	.....	5.1
BUSINESS SALES					
GROSS BUSINESS RECEIPTS					
STATE	mil. $	January	2,568.9	.....	11.4
Oahu	mil. $	January	2,177.2	.....	11.7
Maui County	mil. $	January	154.8	.....	3.3
Hawaii	mil. $	January	184.3	.....	19.0
Kauai	mil. $	January	52.6	.....	2.2
DIVERSIFIED MANUFACTURING	mil. $	January	49.1	.....	13.0
DIVERSIFIED AGRICULTURE	mil. $	January	24.4	.....	-9.8
RETAILING	mil. $	January	950.5	.....	4.8
WHOLESALING	mil. $	January	634.3	.....	16.8
SERVICES	mil. $	January	582.7	.....	15.0
OAHU NEW CAR SALES	number	January	3,099p	.....	-2.5
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Wage Earners and Clerical Workers	1967 = 100	December	312.7	0.6	2.3
All Urban Consumers	1967 = 100	December	305.4	0.5	2.3
TOURISM					
VISITOR EXPENDITURES	mil. $	1985	4,884p	.....	6.6
OVERNIGHT OR LONGER VISITORS	number	January	483,620p	-2.4	10.9
Westbound	number	January	353,070p	-2.4	5.0
Eastbound	number	January	130,550p	-2.3	31.0
AVERAGE DAILY VISITOR CENSUS	number	January	130,530p	-2.9	6.3
AVERAGE LENGTH OF STAY	no. of days	January	11.5p	0.0	1.8
MEETING ATTENDANCE	number	January	31,746	19.7	23.1
ORGANIZED GROUP TOURS	number	January	69,260p	23.3	-9.1
VISITOR COUNT BY COUNTY'					
Oahu	number	January	252,320p	-2.1	3.2
Maui County	number	January	158,670p	3.0	2.5
Hawaii	number	January	78,600p	0.8	14.1
Kauai	number	January	82,980p	-0.3	9.2

p = preliminary
'Compared to September, 1986.
'Estimated.
'Estimated Westbound.

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
VISITOR ACCOMMODATIONS					
STATE	number	Feb., 1986	66,308	.....	0.6
Oahu	number	Feb., 1986	39,010	.....	1.1
Waikiki	number	Feb., 1986	34,650	.....	2.3
Maui (Island)	number	Feb., 1986	13,451	.....	−0.5
Molokai	number	Feb., 1986	635	.....	1.3
Lanai	number	Feb., 1986	10	.....	0.0
Hawaii	number	Feb., 1986	7,280	.....	−3.1
Kauai	number	Feb., 1986	5,922	.....	4.7
HOTEL OCCUPANCY					
STATE	percent	January	82.9	15.5	−0.6
Oahu	percent	January	89.4	15.7	2.5
Maui (Island)	percent	January	75.1	11.8	−9.2
Hawaii	percent	January	68.2	18.2	−3.1
Kauai	percent	January	67.8	13.6	−7.8
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	Yr. to 4th Qtr.	1,871.9	.....	−8.9
Military Payroll	mil. $	Yr. to 4th Qtr.	832.6	.....	−2.0
Civilian Payroll	mil. $	Yr. to 4th Qtr.	618.6	.....	−1.4
Local Purchases	mil. $	Yr. to 4th Qtr.	420.8	.....	−27.2
SUGAR					
VALUE OF CROP SALES					
(Unprocessed Cane)	mil. $	1985	222.4	.....	−13.2
SUGAR PRODUCTION	thous. tons	January	15.7	.....	68.3
AVERAGE N. Y. RAW SUGAR PRICE	$/ton	Jan.-Feb.	432.2p	.....	4.6
PINEAPPLE					
VALUE OF CROP SALES					
(Fresh Equivalent)	thous. $	1985	90.5	.....	0.7
SHIPMENTS: FRESH	thous. lbs.	Jan.-Feb.	33,917	.....	−3.0
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	1985	132,126	.....	12.6
FLOWERS & NURSERY PRODUCTS	thous. $	1985	44,247	.....	13.7
Anthurium Outshipments*	th. dozens	December	162.0	11.4	−4.1
Potted Foliage Plants	thous. $	1985	12,019	.....	19.6
FRUITS & NUTS	thous. $	1985	43,244	.....	9.7
Papaya Sales	th. lbs.	January	4,400	−5.0	17.0
Average Farm Price	cents/lb.	January	20.0	−4.8	−11.9
Macadamia Nut Sales (in shell)	th. lbs.	1985	42,000	.....	11.4
Average Farm Price	cents/lb.	1985	72.5	.....	4.8
VEGETABLES AND MELONS*	th. lbs.	February	8,596p	.....	−8.6
LIVESTOCK	thous. $	1985	82,821	.....	−4.8
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	January	2,419	−16.6	−27.1
Average Farm Price (Feedlot Beef)	cents/lb.	January	84.5	−1.2	−2.3
HOG PRODUCTION (Dressed Wt.)	th. lbs.	January	553	−27.3	10.4
Average Farm Price	cents/lb.	January	103.5	0.5	−1.0
MILK PRODUCTION	mil. lbs.	January	13.5	1.5	3.1
Average Price Sold to Plants	$/100 lbs.	January	20.35	2.2	0.5
EGG PRODUCTION	mil.	January	18.6	.....	−3.6
Average Farm Price	cents/doz.	January	80.5	−0.6	5.9
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	Jan.-Feb.	1,183	.....	3.0
GAS SALES	th. therms.	Jan.-Feb.	8,740	.....	4.3
TELEPHONE LINES IN SERVICE	thous.	Jan.-Feb.	483.9	.....	3.5

p = preliminary.
*From Hawaii County.
*Includes snap beans, cabbage, celery, sweet corn, cucumbers, onions, green peppers, tomatoes, and watermelons.

up on most islands and the construction cost index down slightly.

Total private permits on Oahu were valued at $65.5 million in January, up 5 percent from $62.1 million in 1986. Hawaii and Kauai also reported sharp increases in the value of total private permits, with totals of $9.2 and $5.4 million, respectively. Construction-cost indexes for single-family units and high rise buildings declined slightly from January to February, 1987.

Real estate figures for January did not reflect the same rate of growth enjoyed throughout 1986. Single-family housing resales were down an average 11 percent in January from the same period in 1986, while the average single-family house sold for $180,798, $25,000 over the average sales price in January 1986. Oahu condominium resales were also off, down 12 percent from January 1986. At the same time condominium prices were up an average of $10,000 to $120,517.

In agriculture, the sugar industry experienced some long-deserved good news. Sugar production in January was up 68 percent from the same period last year, while prices rose 4 percent in the same period. World sugar demand is on the rise as well, which would suggest stable or increased sugar prices throughout 1987.

Elsewhere in agriculture, production and prices began 1987 with little or no gains. Papaya sales were a slight exception, rebounding slowly from a 2-year slump. Papaya sales totalled 4.4 million pounds in January, up 17 percent from the same period last year. But, the average farm price declined 12 percent during that same period.

Non-industry indicators opened the year with mixed results. Labor force growth was off as a whole in the month of January, but state employment grew 1 percent to 458,700 persons. The state unemployment rate is still a modest 4 percent, well below the national average of 7 percent. Kauai fared the best in January with the largest increase of employment, and the largest decrease in unemployment. Total jobs for the state grew a healthy 3 percent to 485,900 jobs. This reflects increases in hotel services and state government employment.

Tax collections for the state and counties were also mixed in January. The state total was up 8 percent at $166.7 million. This sizable increase, however, lumps together strong revenue growth on Oahu, which was up by 12 percent from January 1986, with declines on Hawaii, Maui, and Kauai, which fell by 23, 5, and 18 percent, respectively.

HAWAII'S NEW IMMIGRATION LAW

Immigration has always been an important part of Hawaii's development ever since Hawaii's first inhabitants emigrated to Hawaii from Polynesia. To the present day, Hawaii's location and multi-ethnic population make it an attractive port of entry for those seeking a better life.

In the ten years between 1975 and 1985, 64,128 civilian aliens migrated to Hawaii. The majority came from the Philippines (54 percent), Korea (13 percent), and China and Taiwan (10 percent). These immigrants are estimated to comprise roughly 6 percent of the total population and 13 percent of the labor force in Hawaii. Thus, immigration plays a major role in Hawaii's demographic and economic fortunes.

The Immigration Reform and Control Act of 1986 will affect all these new entrants, as well as anyone who has been hired for a job since November 1986. The Act consists of three parts: Employer Sanctions, Legalization, and Agricultural Workers. The first two parts are especially important to Hawaii.

The employer-sanction provision attempts to address the problem of illegal immigrants by making it more difficult for them to get a job. In the past it was illegal for unauthorized immigrants to be in the U.S., but not illegal for employers to hire them. Now, as of November 6, 1986, it is also illegal to knowingly hire, recruit, or refer for hire any unauthorized alien.

Hawaii has a significant problem with aliens who have overstayed their visa time restrictions, and are, in fact, residing in Hawaii as illegal aliens. It is estimated that 20,000 persons fell into this category, and constituted roughly 4 percent of employed civilians in Hawaii in 1986.

The Immigration Reform and Control Act of 1986 puts the responsibility of control squarely on the shoulders of businesses. Employers will be required to understand the new regulations to avoid unknowingly hiring illegal aliens and being subject to stringent penalties. Businesses are obligated to verify the citizenship or legal status and work authorization of everyone hired, recruited, or referred for employment after November 6, 1986. This will be accomplished by examining the appropriate documents, and determining whether they are genuine. Once this is done, an Employment Eligibility Certificate (I-9 form) must be filled out containing the name and signature of the employer and employee and a description of the documents used to es-

business activity in hawaii [cont.]

Series		Unit	Period	Number	Percent Change preceding period	Percent Change year ago
CONSTRUCTION PUT IN PLACE						
STATE		thous. $	January	169,391	.....	19.1
Oahu		thous. $	January	149,203	.....	19.9
Maui County		thous. $	January	8,386	.....	5.3
Hawaii		thous. $	January	9,352	.....	25.5
Kauai		thous. $	January	2,450	.....	5.6
HONOLULU CONSTRUCTION COST INDEXES						
SINGLE FAMILY		1967 = 100	February	371.0	−0.2	1.8
HIGH-RISE		1967 = 100	February	384.4	−0.4	0.6
PRIVATE PERMITS AUTHORIZED						
STATE:	RESIDENTIAL	thous. $	Jan.-Dec. 86	548,837	.....	−3.0
	Single Family Units	number	Jan.-Dec. 86	4,534	.....	−4.4
	Multiple Family Units	number	Jan.-Dec. 86	2,645	.....	3.5
	NONRESIDENTIAL	thous. $	Jan.-Dec. 86	473,587	.....	46.5
OAHU:	RESIDENTIAL	thous. $	January	28,116	.....	−38.2
	Single Family Units	number	January	251	.....	136.8
	Multiple Family Units	number	January	148	.....	−68.9
	NONRESIDENTIAL	thous. $	January	37,368	.....	124.5
MAUI CO.:	RESIDENTIAL	thous. $	Jan.-Dec. 86	104,749	.....	−28.2
	Single Family Units	number	Jan.-Dec. 86	911	.....	−7.4
	Multiple Family Units	number	Jan.-Dec. 86	506	.....	10.7
	NONRESIDENTIAL	thous. $	Jan.-Dec. 86	48,298	.....	47.6
HAWAII:	RESIDENTIAL	thous. $	January	5,937	.....	57.1
	Single Family Units	number	January	107	.....	44.6
	Multiple Family Units	number	January	0	.....	0.0
	NONRESIDENTIAL	thous. $	January	3,298	.....	301.2
KAUAI:	RESIDENTIAL	thous. $	January	4,852	.....	177.3
	Single Family Units	number	January	45	.....	114.3
	Multiple Family Units	number	January	0	.....	0.0
	NONRESIDENTIAL	thous. $	January	596	.....	−98.2
PUBLIC CONTRACTS AWARDED						
TOTAL GOVERNMENT PROJECTS:						
STATE		thous. $	Jan.-Feb.	70,334	.....	62.6
Oahu		thous. $	Jan.-Feb.	51,777	.....	71.0
Maui County		thous. $	Jan.-Feb.	6,392	.....	−10.9
Hawaii		thous. $	Jan.-Feb.	7,284	.....	70.4
Kauai		thous. $	Jan.-Feb.	4,881	.....	220.9
BY LEVEL OF GOVERNMENT:						
Federal		thous. $	Jan.-Feb.	9,344	.....	123.2
State		thous. $	Jan.-Feb.	36,597	.....	45.1
County		thous. $	Jan.-Feb.	24,394	.....	76.2
REAL ESTATE RESALES						
STATE:	Single Family	number	January	217	.....	−11.4
	Average Price	dollars	January	180,798	.....	16.1
	Condominium	number	January	327	.....	9.4
	Average Price	dollars	January	120,520	.....	9.4
OAHU:	Single Family	number	January	128	.....	−13.5
	Average Price	dollars	January	191,950	.....	6.9
	Condominium	number	January	190	.....	−11.6
	Average Price	dollars	January	107,710	.....	11.7
MAUI CO.:	Single Family	number	January	55	.....	14.6
	Average Price	dollars	January	198,700	.....	43.1
	Condominium	number	January	123	.....	70.8
	Average Price	dollars	January	129,717	.....	4.4
HAWAII:	Single Family	number	January	28	.....	−24.3
	Average Price	dollars	January	105,280	.....	13.1
	Condominium	number	January	8	.....	33.3
	Average Price	dollars	January	275,880	.....	258.3
KAUAI:	Single Family	number	January	5	.....	−50.0
	Average Price	dollars	January	131,190	.....	7.6
	Condominium	number	January	6	.....	0.0
	Average Price	dollars	January	130,500	.....	96.0

n.a. = *not available.*

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population in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1, 1986	1,176.7	.....	2.1
Total Resident Population	thous.	July 1, 1986	1,062.3	.....	0.8
OAHU:					
Total De Facto Population	thous.	July 1, 1985	865.1	.....	1.0
Total Resident Population	thous.	July 1, 1985	814.6	.....	1.5
MAUI COUNTY:					
Total De Facto Population	thous.	July 1, 1985	115.5	.....	0.5
Total Resident Population	thous.	July 1, 1985	85.3	.....	2.1
HAWAII:					
Total De Facto Population	thous.	July 1, 1985	115.8	.....	2.1
Total Resident Population	thous.	July 1, 1985	109.2	.....	1.9
KAUAI:					
Total De Facto Population	thous.	July 1, 1985	55.6	.....	1.8
Total Resident Population	thous.	July 1, 1985	44.8	.....	1.4
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1, 1986	1,004.2	.....	0.7
MILITARY PERSONNEL:					
STATE	number	July 1, 1986	58,584	.....	−1.0
Ashore	number	July 1, 1986	53,616	.....	−0.4
Afloat	number	July 1, 1986	4,968	.....	19.5
CIVILIAN MILITARY DEPENDENTS	number	July 1, 1986	66,210	.....	3.0
FOREIGN IMMIGRATION[1]	number	Jan.-Feb. 1987	920	.....	18.6

p = preliminary.
[1]Includes only those entering Honolulu ports and does not include status changes.

income in hawaii

INCOME					
TOTAL PERSONAL INCOME**	mil. $	3rd Qtr.	15,509	1.4	6.0
EMPLOYMENT INCOME[1]	mil. $	3rd Qtr.	11,784	1.8	6.4
Manufacturing	mil. $	3rd Qtr.	538	2.3	6.7
Construction & Mining	mil. $	3rd Qtr.	875	11.7	27.2
Wholesale	mil. $	3rd Qtr.	451	0.0	0.0
Retail	mil. $	3rd Qtr.	1,323	1.5	4.0
Finance, Ins., & Real Estate	mil. $	3rd Qtr.	861	2.4	15.9
Trans., Comm., & Util.	mil. $	3rd Qtr.	913	0.3	−0.2
Services	mil. $	3rd Qtr.	2,925	2.0	7.7
Farm & Other	mil. $	3rd Qtr.	303	−4.7	−1.0
Federal Civilian	mil. $	3rd Qtr.	987	1.2	2.1
Federal Military	mil. $	3rd Qtr.	1,355	0.4	3.8
State & Local	mil. $	3rd Qtr.	1,252	0.5	3.3
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	3rd Qtr.	2,264	−0.6	5.0
TRANSFER PAYMENTS (1,954) minus Personal Contributions for Social Insurance (758)	mil. $	3rd Qtr.	1,461	1.4	5.0
PER CAPITA PERSONAL INCOME:					
STATE	dollars	1985	14,558	.....	11.6
Oahu	dollars	1984	13,709	.....	5.7
Maui County	dollars	1984	11,611	.....	5.9
Hawaii	dollars	1984	9,998	.....	5.2
Kauai	dollars	1984	10,564	.....	6.9

**Total personal income and all components are seasonally adjusted at annual rates.
[1]Includes wage and salary disbursements, proprietors' income, and other labor income.
p = preliminary.

HAWAIIAN BANK

tablish eligibility. Employers are required to keep these forms on record for three years from the date of hire or one year after the date of termination, whichever is longer. The Immigration and Naturalization Service or Department of Labor has the right to inspect these I-9 forms at anytime.

Job applicants must also do their part under the new law. All job seekers, whether citizen or alien, must be able to prove work eligibility when applying for a position by presenting the appropriate documents which verify identification and eligibility. These documents have been divided into three categories. Group A documents provide identification and verify eligibility. They include a U.S. passport, Certificate of U.S. Citizenship, Certificate of Naturalization, unexpired foreign passport with unexpired work authorization endorsement of the Attorney General, or a 1-551 alien registration receipt card with photograph. Group B documents verify eligibility to work only. They are a social security card, U.S. birth certificate or certificate establishing U.S. nationality at birth, or other document approved by the Attorney General authorizing employment by the applicant in the United States. Group C documents provide identification of the applicant only. They are a state driver's license with photograph, other form of state or local government I.D. with photograph, or other document approved by the Attorney General authorizing employment by the applicant in the United States. Prospective employees are required to show one document from Group A or one document each from Group B and C as proof of identification and eligibility. Failure to do so will disqualify an applicant from job consideration.

The Immigration and Naturalization Service (INS) is responsible for education, implementation, and enforcement of the new law. I-9 forms will be mailed out to employers. Copies will also be made available at the INS local district office starting mid-May. The INS is now in the education phase of the new law. During this time they will be disseminating information on the new law, and no sanctions against employers will be levied. This phase will be followed by the citation phase when violators will be cited and subject to civil penalties. Full implementation begins June 1, 1988.

With the start of full implementation, civil and criminal penalties will be assessed against violators. Employers who knowingly hire unauthorized aliens face civil penalties of a $250-$2,000 fine per alien for a first offense, a $2,000-

$5,000 fine per alien for the second offense, and a $3,000-$10,000 fine per alien for the third offense. Criminal penalties are lodged against pattern and practice violators. They are $3,000 per alien and/or six months imprisonment per violation. Illegal workers caught will lose their job and face deportation.

While the control of unlawful employment of illegal aliens will have a long run impact on immigration, the legalization provision in the new law will legitimize those illegal aliens already present in Hawaii. The INS is trying to get these illegal aliens out of the underground and into the mainstream.

Aliens who resided in the United States illegally prior to January 1, 1982, will be given a one-time chance to apply for temporary resident status, no questions asked. The application "window" is a twelve-month period starting May 1, 1987 and going to April 30, 1988. During this period, illegal immigrants will be allowed to register for temporary resident status at newly set up legalization offices in the district. Applicants must have resided continuously in the U.S. in an unlawful status since 1982, not been convicted of a felony or three misdemeanors in the U.S., not have assisted in persecution of others, and must register with the Selective Service System. Work authorization will be given along with temporary resident status to all applicants who meet the requirements.

The INS stresses that, during this legalization period, no attempt will be made to deport those aliens who are applying. Even those who are denied resident status are safe from deportation. There is a confidentiality clause in the reform act to safeguard all information gathered in the legalization process. That information can only be used to adjudicate an application, or as evidence to prosecute those submitting fraudulent claims. No other agency, including the enforcement branch of the INS or the IRS, will have access to this information.

The INS is setting up 36 new legalization offices in the western region to process applications. Honolulu will get one new office at 1680 Kapiolani Boulevard next to the Kapiolani Theater opening May 5. The INS encourages illegal aliens to take advantage of this opportunity, but knows there are those who will still be wary of the INS. This is where outreach programs come in. They will act as go-betweens for those too intimidated by the INS to come forward. Each outreach program must register with, and be designated by, the Attorney General as a Qualified Designated En-

employment and jobs in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
EMPLOYMENT					
STATE:					
Civilian Labor Force	thous.	January	480.0p	−2.7	−0.4
Employment	thous.	January	458.7p	−2.9	1.1
Unemployment	thous.	January	21.3p	3.4	−24.2
Unemployment Rate	percent	January	4.4p	4.8	−24.1
OAHU:					
Civilian Labor Force	thous.	January	359.6p	−2.9	−1.2
Employment	thous.	January	344.7p	−3.2	−0.1
Unemployment	thous.	January	14.9p	5.3	−20.1
Unemployment Rate	percent	January	4.1p	7.9	−19.6
MAUI COUNTY:					
Civilian Labor Force	thous.	January	48.5p	−1.1	4.8
Employment	thous.	January	46.3p	−1.4	8.2
Unemployment	thous.	January	2.2p	4.8	−37.1
Unemployment Rate	percent	January	4.6p	7.0	−38.7
HAWAII:					
Civilian Labor Force	thous.	January	49.3p	−3.3	−1.4
Employment	thous.	January	46.3p	−2.7	1.0
Unemployment	thous.	January	3.1p	−6.1	−26.2
Unemployment Rate	percent	January	6.3p	−3.1	−25.0
KAUAI:					
Civilian Labor Force	thous.	January	22.5p	−2.6	3.4
Employment	thous.	January	21.4p	−2.9	7.0
Unemployment	thous.	January	1.1p	4.8	−37.1
Unemployment Rate	percent	January	5.0p	8.7	−37.5
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	January	485.9p	−1.6	3.0
SUGAR (Mill and Field)	thous.	January	7.2p	0.0	−2.0
PINEAPPLE (Cannery and Field)	thous.	January	3.3p	−7.0	20.0
DIVERSIFIED MANUFACTURING (Excluding Sugar and Pineapple)	thous.	January	16.7p	−0.9	1.2
Durable Goods	thous.	January	3.9p	2.6	14.7
Non-Durable Goods	thous.	January	12.8p	−1.9	−2.3
Apparel and Textiles	thous.	January	3.1p	−3.2	−11.6
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	January	8.6p	0.0	14.7
CONTRACT CONSTRUCTION	thous.	January	21.6p	−0.2	26.0
TRANSPORTATION	thous.	January	24.5p	0.2	−0.2
COMMUNICATION	thous.	January	7.1p	0.0	−0.7
UTILITIES	thous.	January	2.6p	0.0	6.1
RETAIL TRADE	thous.	January	98.6p	−1.9	1.7
WHOLESALE TRADE	thous.	January	19.3p	−0.5	−1.8
FINANCE, INSURANCE AND REAL ESTATE	thous.	January	33.2p	−0.2	3.4
HOTEL SERVICES—STATE	thous.	January	30.2p	1.5	10.6
Oahu	thous.	January	17.1p	1.8	6.2
Maui County	thous.	January	6.7p	0.0	10.8
Hawaii	thous.	January	4.1p	3.8	15.7
Kauai	thous.	January	2.5p	0.0	36.1
OTHER SERVICES	thous.	January	90.7p	−0.7	8.2
FEDERAL GOVERNMENT	thous.	January	32.1p	−1.1	−0.3
Civilian Agencies	thous.	January	12.1p	−2.0	3.9
Defense Department	thous.	January	20.0p	−0.5	−2.9
STATE GOVERNMENT	thous.	January	49.1p	−3.7	1.7
COUNTY GOVERNMENT	thous.	January	12.8p	−1.9	1.7
NON-AGRICULTURE SELF-EMPLOYED	thous.	January	29.4p	−8.4	−13.1
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	February	7,382	−8.1	−20.9
INTRASTATE INITIAL CLAIMS	number	February	3,921	−27.2	−14.3
INTERSTATE INITIAL CLAIMS	number	February	275	−13.0	−15.1
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	February	3,766	−13.7	−18.9

p = preliminary.

public assistance in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
INCOME MAINTENANCE:					
Recipients[1]	no./persons	February	52,162	1.0	−7.5
Payments	thous. $	Jan.-Feb.	14,463	.....	−6.1
MEDICAL ASSISTANCE:					
Recipients[1]	no./patients	February	46,186	−0.7	11.1
Payments	thous. $	Jan.-Feb.	25,153	.....	26.8
FOOD STAMPS:					
Recipients[1]	no./persons	January	87,218	0.9	−6.4
Payments	thous. $	January	7,272	.....	−3.2
SERVICES:					
Recipients[1]	no./cases	4th Qtr.	7,608	−4.2	1.2
Payments	thous. $	Yr. to 4th Qtr.	17,991	.....	15.8

[1]Count of recipients is duplicated. A person may be counted in each category

banking and finance in hawaii

FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	February	8,569.0	4.4	15.0
Debits To Demand Deposits	mil. $	February	8,630.1	.....	10.7
OAHU:					
Total Deposits	mil. $	February	7,143.5	4.4	15.7
Debits To Demand Deposits	mil. $	February	7,772.2	.....	10.3
MAUI COUNTY:					
Total Deposits	mil. $	February	558.6	4.8	14.9
Debits To Demand Deposits	mil. $	February	377.7	.....	13.2
HAWAII:					
Total Deposits	mil. $	February	593.5	3.6	11.2
Debits To Demand Deposits	mil. $	February	327.7	.....	15.1
KAUAI:					
Total Deposits	mil. $	February	273.4	5.2	4.6
Debits To Demand Deposits	mil. $	February	152.6	.....	17.7
BANK LOANS OUTSTANDING—STATE:[1]	mil. $	4th Qtr.	5,062.7	6.5	9.7
Real Estate	mil. $	4th Qtr.	2,099.3	4.9	11.6
Consumer	mil. $	4th Qtr.	1,085.0	1.7	2.8
Commercial & Industrial	mil. $	4th Qtr.	1,468.5	9.6	9.7
Other	mil. $	4th Qtr.	328.7	19.8	−3.6
CONVENTIONAL HOME MORTGAGE RATES: HONOLULU SAVINGS & LOAN ASSOCIATIONS:[2]	percent	December	9.6	0.0	−15.0
TOTAL DEPOSITS	mil. $	December	3,559.4	0.5	−1.1
TOTAL LOANS	mil. $	December	197.3	78.4	111.5
MORTGAGE LOANS	mil. $	December	175.6	77.9	125.7
TAX COLLECTIONS:[3]					
STATE	thous. $	Jan.-Feb.	315,818	.....	10.7
Oahu	thous. $	Jan.-Feb.	273,911	.....	12.0
Maui County	thous. $	Jan.-Feb.	18,568	.....	5.2
Hawaii	thous. $	Jan.-Feb.	16,705	.....	2.9
Kauai	thous. $	Jan.-Feb.	6,633	.....	−4.6

[1]Figures contain domestic balances only.
[2]Includes Hawaii and Guam. Reporting categories changed in July, 1985.
[3]Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

tity. Individuals seeking such designation must be able to prove substantial experience in immigration procedures.

The Immigration Reform and Control Act of 1986 is a sweeping piece of legislation. Its supporters claim it is just what is needed to revamp an old system which no longer works. The government has lost control over who is entering the country. Employer sanctions will act as another filter to deter illegal immigration. The legalization provision will legitimize the illegal immigrant population already present. Together they will help return control over U.S. borders to the government in a fair and non-discriminating way.

Opponents of the new law fear it is the beginning of a national identification card system which could lead to too much government regulation of everyone's daily lives. Others feel this law will open the way for discrimination in the workplace. While there is a clause prohibiting discrimination against any individuals because of national origin or citizenship status, employers can make it difficult for "undesirable" applicants to verify eligibility. Others say, the whole system will not work specifically because it is so easy for illegal aliens to obtain false documents.

The new law also means new costs. Employers responsible for properly filling out and maintaining the I-9 forms have a new burden. Applicants will have to obtain and present more documentation when applying than they did before. The implementation of the legalization portion of the new law is designed to be self-supporting. Fees, comparable to those charged for regular resident status applications, will be charged to aliens applying for residency under the new law.

Whether or not the proponents or the detractors of the bill are correct, the law will affect a large number of people. The chance for legalization is expected to attract 3.9 million people nationwide. One million registrations are expected in the Los Angeles area alone.

For the Hawaiian economy, which is already near full employment, the law will most likely increase the number of aliens available for hire. By releasing them from the stigma of wrongfully being in the state, they will be encouraged to seek jobs outside the shadow economy, thus easing the threat of a labor shortage in Hawaii. A majority of legal immigrants go into the service and construction industries. If these new temporary residents follow this pattern, they will help alleviate the shortages now occurring in these sectors.

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ECONOMIC INDICATORS

Research Department, First Hawaiian Bank | May/June 1987

Hawaii's Emerging Marine Industry

Hawaii's marine industry is composed of a wide variety of enterprises, including aquaculture ventures, commercial fishing, ocean recreation, maritime industries, seafood processing, and marine research and development. According to preliminary figures of the Department of Planning and Economic Development (DPED) Ocean Research Branch, the industry earned $500 to $700 million in revenues in 1986, and employed approximately 8,500 people. This makes it as large as the sugar and pineapple industries, which generated $618 million in total revenues in 1986. However, the marine industry is still coming into its own, and could eventually be an even bigger part of the state's economy.

At present, the industry is in a period of slow growth. Most firms are small-scale operations with less than 20 employees. Aquacultural businesses, ocean-engineering firms, and tour-boat operators typify the industry. Shipping lines and tug-boat operations are the largest employers in the marine industry. The state is the second largest employer, with 90 percent of those hired working for the University of Hawaii.

The University of Hawaii is already at the forefront of deep-ocean technology and exploration. The next step will be to attract private investment into this field. It is envisioned that the research work being done at the university will generate "spin off" effects in the form of new company start-ups, as well as existing companies applying knowledge and hiring graduates produced by the University. Most of the current work is being funded by the federal government. The switch to substantial private sector involvement will take about 20 years.

Growth in aquaculture and mariculture, on the other hand, is presently under way. Last year over a million pounds of output, with a wholesale product value of $3.6 million, was produced for the first time. This is also the first year that other marine products surpassed fresh-water prawn production. These products include the cultivation of seaweed and microalgae, the fertilization of squid eggs, breeding new species of trout, bass, salmon, and raising abalone, salt-water shrimp and prawns. Wholesale product value is expected to reach $50 million by 1991.

Hawaii is also the leader in providing aquacultural services to other areas of the world. Federal and state funds totalling $9.7 million were invested in research, training, consulting, and technology transfer in 1986. These services will become increasingly important as the need for such information in the Pacific Rim and South American countries grows.

Besides being a medium for growing marine life, ocean water can also be a source of energy. Ocean thermal energy conversion (OTEC) is the process that utilizes the difference in ocean-water temperatures to generate electricity. The waters off Keahole Point on the Big Island provide a unique opportunity for harnessing this type of natural energy. Depths up to 2,000 feet are located right off shore, and are accessible for such an operation. A closed-cycle and an open-cycle method have been developed, and experiments are underway to improve their efficiency.

Once perfected, OTEC may be the energy source of the future. It is a constant, unlimited source of energy, unlike solar and wind power which need conventional backups. OTEC will always be there as long as surface water temperatures differ from those deeper down. Also, OTEC is a clean source of energy. The oceans are so vast that the energy needs for the whole human race can be satisfied without adversely altering the water's temperature.

What lies at the bottom of the ocean is also valuable. Ocean mining could have the greatest impact on Hawaii's economy in the future. Strong interest has already been focussed on manganese nodule mining, but now has shifted to cobalt-rich manganese crust mining. Surveys show the presence of cobalt, nickel, and cobalt-rich manganese within Hawaii's 200-mile Exclusive Economic Zone. They are spread out over roughly 6.6 million acres of seabed, and exist in quantities that would make commercial mining viable. To mine these mineral resources, processing plants will have to be established. Two Big Island sites and one Oahu site are being considered. Manganese mining is still in the developmental state, and it will be at least 15 to 20 years before any economic impact is felt. At that time it could double the contribution of the marine industry to the state economy. DPED projections show it could employ about 980 people, and generate approximately $500 million in revenue.

To be sure, much more can be done to support the marine industry in Hawaii. The perception that Hawaii is not receptive to industrial development, high business costs, legal problems, and a lack of organized efforts to promote the industry are barriers that must be overcome before this industry can achieve its potential. But, for a state that is 99 percent water and one percent land, pursuing a strong policy to support the marine industry seems the preferred course of action. It will create jobs and income in the state, and offset Hawaii's dependence on low-productivity service-oriented jobs by stimulating growth in higher-wage manufacturing jobs.

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MAY/JUNE FEATURE STORY: A NEW HAWAII SPACEPORT?

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CURRENT BUSINESS TRENDS

The vitality of the Hawaiian economy continued to be evident through February. Gross business receipts, an overall measure of activity in the economy, advanced during the first quarter of 1987 by 15 percent over the same period last year. Oahu and the Big Island fueled the expansion with 16 percent, and 23 percent increases, respectively. Kauai and Maui's economies also expanded, but at a slower 5 and 3 percent rate, respectively.

According to job market statistics, the economy is headed toward full employment. Approximately 466,850 out of 487,150 people in the civilian labor force were gainfully employed in February 1987. The unemployment rate fell to 4.2 percent, down 4 percent from January and down 26 percent from February 1986. Kauai experienced the biggest reduction of its unemployed. In February, it declined 9 percent from a month ago. Oahu was next with a 7 percent drop. Hawaii and Maui, on the other hand, saw their number of unemployed rise 2 and 4 percent, respectively, over January figures.

Total job counts in Hawaii continued to show positive growth. Statewide, total jobs rose in February to 489,700, 4 percent more than in February 1986. Job creation over last year was especially strong in the construction industry (up 27 percent), durable goods manufacturing (up 13 percent), and the hotel service industry (up 10 percent). Over-the-year decline was largest in the apparel and textile industry (down 10 percent).

The state's number one industry, tourism, showed mixed results in March. The total number of visitors staying overnight and longer for the first three months of 1987 was 3 percent higher than in 1986; but, the visitor count for the month of March, at 494,890 visitors, was 3 percent less than a year ago. Part of this drop can be attributed to

u. s. economic indicators

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	1st Qtr.	4,339p	1.9	4.6
In 1982 Dollars	bil. $	1st Qtr.	3,735p	1.1	2.2
PERSONAL INCOME**	bil. $	March	3,604p	0.1	4.6
INTEREST RATES					
AVERAGE PRIME RATE	percent	March	7.50	0.0	−17.6
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	February	383.9p	0.7	2.7
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	January	380.2	0.3'	2.1
Apts., Hotels, Office Bldgs.	1967 = 100	January	377.8	0.4'	2.1
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	March	111,368	0.0	2.4
UNEMPLOYMENT*	thous.	March	7,854	−1.4	−6.3
UNEMPLOYMENT RATE*	percent	March	6.6	−1.5	−8.3
PRICES					
CONSUMER PRICE INDEXES					
Wage Earners and Clerical Workers	1967 = 100	March	330.5	0.5	2.8
All Urban Consumers	1967 = 100	March	335.9	0.4	3.0
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	March	293.2p	0.4	1.5
All Commodities	1967 = 100	February	302.7p	0.6	−0.6

r = revised.
p = preliminary.
'Compared to November, 1986.
*Seasonally adjusted.
**Seasonally adjusted at annual rates.

business activity in hawaii

GROSS STATE PRODUCT'	mil. $	Annual Total	17,529.7	.....	5.1
BUSINESS SALES					
STATE	mil. $	Jan.-Mar.	7,374.6	.....	14.9
Oahu	mil. $	Jan.-Mar.	6,226.6	.....	15.7
Maui County	mil. $	Jan.-Mar.	451.6	.....	2.6
Hawaii	mil. $	Jan.-Mar.	513.4	.....	22.9
Kauai	mil. $	Jan.-Mar.	183.0	.....	4.5
DIVERSIFIED MANUFACTURING	mil. $	Jan.-Mar.	153.0	.....	17.4
DIVERSIFIED AGRICULTURE	mil. $	Jan.-Mar.	66.5	.....	3.4
RETAILING	mil. $	Jan.-Mar.	2,618.0	.....	10.0
WHOLESALING	mil. $	Jan.-Mar.	1,825.2	.....	18.8
SERVICES	mil. $	Jan.-Mar.	1,773.2	.....	16.8
OAHU NEW CAR SALES	number	Jan.-Mar.	8,254	.....	−10.4
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Wage Earners and Clerical Workers	1967 = 100	March	316.8e	0.4	3.1
All Urban Consumers	1967 = 100	March	309.5e	0.5	3.1
TOURISM					
VISITOR EXPENDITURES	mil. $	1985	4,900p	.....	15.3
OVERNIGHT OR LONGER VISITORS	number	March	494,890p	7.4	−2.8
	number	Jan.-Mar.	1,439,460p	.....	3.3
Westbound	number	March	369,250p	4.6	−12.3
	number	Jan.-Mar.	1,075,440p	.....	−1.1
Eastbound	number	March	125,640p	16.5	17.8
	number	Jan.-Mar.	364,020p	.....	19.1
AVERAGE DAILY VISITOR CENSUS	number	Jan.-Mar.	127,180p	.....	0.1
AVERAGE LENGTH OF STAY	no. of days	Jan.-Mar.	10.5p	.....	0.0
MEETING ATTENDANCE	number	March	24,711	.....	−10.3
ORGANIZED GROUP TOURS	number	Jan.-Mar.	212,670p	.....	−11.0
VISITOR COUNT BY COUNTY'					
Oahu	number	March	262,320p	4.4	−13.1
	number	Jan.-Mar.	765,850p	.....	−2.7
Maui County	number	March	166,540p	−1.9	−12.8
	number	Jan.-Mar.	494,950p	.....	−3.7
Hawaii	number	March	68,570p	−13.2	−4.9
	number	Jan.-Mar.	226,150p	.....	5.6
Kauai	number	March	86,980p	−4.4	3.7

p = preliminary.
e = estimated.
'Estimated.
'Estimated Westbound.

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
VISITOR ACCOMMODATIONS:					
STATE	number	Feb., 1986	66,308	.....	0.6
Oahu	number	Feb., 1986	39,010	.....	1.1
Waikiki	number	Feb., 1986	34,650	.....	2.3
Maui (Island)	number	Feb., 1986	13,451	.....	−0.5
Molokai	number	Feb., 1986	635	.....	1.3
Lanai	number	Feb., 1986	10	.....	0.0
Hawaii	number	Feb., 1986	7,280	.....	−3.1
Kauai	number	Feb., 1986	5,922	.....	4.7
HOTEL OCCUPANCY:					
STATE	percent	March	88.4p	−4.6	0.2
		Jan.-Mar.	87.8p	.....	−0.3
Oahu	percent	March	93.0p	−2.9	1.1
		Jan.-Mar.	92.7p	.....	1.6
Maui (Island)	percent	March	85.3p	−5.1	−6.3
		Jan.-Mar.	82.8p	.....	−7.1
Hawaii	percent	March	65.8p	−13.2	−1.9
		Jan.-Mar.	72.5p	.....	0.7
Kauai	percent	March	86.4p	1.1	2.7
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	Yr. to 4th Qtr.	1,871.9	.....	−8.9
Military Payroll	mil. $	Yr. to 4th Qtr.	832.6	.....	−2.0
Civilian Payroll	mil. $	Yr. to 4th Qtr.	618.6	.....	−1.4
Local Purchases	mil. $	Yr. to 4th Qtr.	420.8	.....	−27.2
SUGAR					
VALUE OF CROP SALES					
(Unprocessed Cane)	mil. $	1985	222.4	.....	−13.2
SUGAR PRODUCTION	thous. tons	Jan.-Mar.	143.2	.....	25.5
AVERAGE N. Y. RAW SUGAR PRICE	$/ton	Jan.-Apr.	434.0	.....	4.7
PINEAPPLE					
VALUE OF CROP SALES					
(Fresh Equivalent)	thous. $	1985	90.5	.....	0.7
SHIPMENTS: FRESH	thous. lbs.	Jan.-Mar.	54,863	.....	0.9
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	1985	132,126	.....	12.6
FLOWERS & NURSERY PRODUCTS	thous. $	1985	44,247	.....	13.7
Anthurium Outshipments[1]	th. dozens	Jan.-Feb.	224.7	.....	−7.5
Potted Foliage Plants	thous. $	1985	12,019	.....	19.6
FRUITS & NUTS	thous. $	1985	43,244	.....	9.7
Papaya Sales	th. lbs.	Jan.-Mar.	11,470	.....	−1.9
Average Farm Price	cents/lb.	March	25.0	13.6	25.0
Macadamia Nut Sales (in shell)	th. lbs.	1986	44,000	.....	4.8
Average Farm Price	cents/lb.	1986	80.0	.....	10.3
VEGETABLES AND MELONS[2]	th. lbs.	Jan.-Apr.	20,624	.....	1.1
LIVESTOCK	thous. $	1985	82,821	.....	−4.8
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Feb.	5,204	.....	−11.6
Average Farm Price (Feedlot Beef)	cents/lb.	February	85.0	0.6	6.3
HOG PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Feb.	1,042	.....	7.2
Average Farm Price	cents/lb.	February	103.0	−0.5	−1.0
MILK PRODUCTION	mil. lbs.	Jan.-Feb.	26.1	.....	2.8
Average Price Sold to Plants	$/100 lbs.	February	20.45	−0.4	1.1
EGG PRODUCTION	mil.	Jan.-Mar.	55.4	.....	−3.0
Average Farm Price	cents/doz.	March	82.5	1.9	13.8
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	Jan.-Mar.	1809.4	.....	2.5
GAS SALES	th. therms.	Jan.-Mar.	12,999	.....	4.2
TELEPHONE LINES IN SERVICE	thous.	Jan.-Mar.	484.7	.....	3.5

p = preliminary.
[1]From Hawaii County.
[2]Includes snap beans, cabbage, celery, sweet corn, cucumbers, onions, green peppers, tomatoes, and watermelons.

the extraordinary number of visitors that came to the islands in March 1986. That was the first time more than half a million tourists visited in one month. In March of this year the westbound visitor count dropped by 8 percent from 1986, while the eastbound visitor count increased by 18 percent.

An island-by-island look reveals that every county suffered a decrease in visitors in March. Maui sustained the largest decrease of 11 percent. Oahu was second, down by 9 percent. Hawaii's March count of 68,570 visitors, down 5 percent from March 1986, was the lowest visitor count since November of last year. Kauai registered the smallest decrease from a year ago of 1 percent. But, it was the first decline since November 1985, when the visitor count fell 1 percent short of the November 1984 figure.

In agriculture, sugar production remained strong. Following an outstanding start in January, production in 1987 has continued to outpace 1986. As of the first three months of 1987, 143,169 tons of sugar were produced, representing a 26-percent increase over 1986.

Fresh pineapple shipments also experienced a good March, reversing a declining trend established in the first two months of 1987. Twenty-one million tons of fresh pineapple were shipped, representing an 8-percent increase over a year ago. The cumulative January to March figure of 55 million tons represented a one-percent increase over the same period last year. This was the first positive increase in the cumulative total since 1985, when production grew by 4 percent over 1984.

Diversified agriculture production figures for March were not as pleasant. The latest figures for anthurium outshipments, papaya sales, and vegetable and melon production were all down. February anthurium shipments showed a 5-percent decrease from a year ago, continuing a downward trend that began in December of 1986. For the second consecutive month papaya sales declined also. March 1987 saw a 15-percent decrease in sales from March 1986. The same occurred in vegetable and melon production. 14 million pounds of vegetables and melons were produced in March, down 6.5 percent from last year, when 15 million pounds were produced.

Despite monthly decreases in new construction expenditures, 1987 continues to outdo 1986. The state cumulative total through March is 22 percent higher than a year ago. Oahu's cumulative total is also 22 percent higher than last year, while Maui, Hawaii, and Kauai increased 17 percent, 36 percent, and 4 percent respectively.

A NEW HAWAII SPACEPORT?

The international space race entered a new and wide-open phase last August when President Reagan decreed that NASA would no longer be in the business of launching commercial payloads into orbit. The void created by NASA's pullout from the commercial launch business has left private companies gearing up to grab their share of an estimated $6 billion space-launch industry. As commercial satellites accumulate, and with the ever increasing number of Expendable Launch Vehicles (ELV) being produced, Hawaii could loom as a big player by providing a strategically located commercial space launch facility.

There is little doubt that a space launch facility would make a tremendous contribution to the state economy. The proposed spaceport could create as many as 10,000 jobs for the maintenance, operation, and support of the facility. It could initially pump roughly a billion dollars into the state economy for infrastructure and facility construction. In addition, a spaceport operating at near or full capacity could generate around $300 to $500 million in annual revenues. This would make it the fifth largest industry in the state behind tourism, the military, construction, and agriculture.

There could also be indirect economic and social benefits as well, particularly to the University of Hawaii. The spaceport would attract high level aerospace engineers, space technologists, and a variety of scientists who could provide support to the University in the field of space-related research and development. The University is already a leading astronomical and geological research center, and could someday be a leading space technology education center. Engineering and science students could look forward to a challenging career right here in Hawaii. This could stem the high attrition rate of highly educated professionals leaving Hawaii.

Hawaii will not be without competition in its plans to develop a spaceport, not only from other states, but from several countries around the world, including France, China, Australia, Japan, and the Soviet Union. In addition, any private spaceport endeavor will have to compete against existing U.S. military space-launch facilities, which will be servicing most of the immediate satellite launch demand. There is also the distinct possibility that NASA's space shuttles might return to operation under a new administration. Most private

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
CONSTRUCTION PUT IN PLACE					
STATE	thous. $	Jan.-Mar.	498,876	.....	21.8
Oahu	thous. $	Jan.-Mar.	432,845	.....	21.8
Maui County	thous. $	Jan.-Mar.	25,085	.....	16.8
Hawaii	thous. $	Jan.-Mar.	29,641	.....	35.8
Kauai	thous. $	Jan.-Mar.	11,305	.....	3.5
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	March	373.1	0.6	2.1
HIGH-RISE	1967 = 100	March	387.5	0.8	0.8
PRIVATE PERMITS AUTHORIZED					
STATE: RESIDENTIAL	thous. $	January	47,461	.....	−17.9
Single Family Units	number	January	518	.....	94.0
Multiple Family Units	number	January	148	.....	−69.9
NONRESIDENTIAL	thous. $	January	45,298	.....	−16.0
OAHU: RESIDENTIAL	thous. $	Jan.-Mar.	86,915	.....	−14.9
Single Family Units	number	Jan.-Mar.	713	.....	117.4
Multiple Family Units	number	Jan.-Mar.	168	.....	−86.5
NONRESIDENTIAL	thous. $	Jan.-Mar.	71,480	.....	46.8
MAUI CO.: RESIDENTIAL	thous. $	January	8,556	.....	25.8
Single Family Units	number	January	115	.....	74.2
Multiple Family Units	number	January	0	.....	−100.0
NONRESIDENTIAL	thous. $	January	4,036	.....	22.2
HAWAII: RESIDENTIAL	thous. $	Jan.-Mar.	18,936	.....	25.3
Single Family Units	number	Jan.-Mar.	323	.....	23.3
Multiple Family Units	number	Jan.-Mar.	0	.....	−100.0
NONRESIDENTIAL	thous. $	Jan.-Mar.	9,000	.....	29.9
KAUAI: RESIDENTIAL	thous. $	Jan.-Mar.	15,365	.....	117.4
Single Family Units	number	Jan.-Mar.	136	.....	88.9
Multiple Family Units	number	Jan.-Mar.	1	.....	100.0
NONRESIDENTIAL	thous. $	Jan.-Mar.	14,678	.....	−58.1
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS					
STATE	thous. $	Jan.-Apr.	109,175	.....	3.8
Oahu	thous. $	Jan.-Apr.	75,964	.....	−8.0
Maui County	thous. $	Jan.-Apr.	7,792	.....	−16.3
Hawaii	thous. $	Jan.-Apr.	10,943	.....	13.7
Kauai	thous. $	Jan.-Apr.	14,476	.....	293.6
BY LEVEL OF GOVERNMENT					
Federal	thous. $	Jan.-Apr.	19,989	.....	2.0
State	thous. $	Jan.-Apr.	61,607	.....	−0.9
County	thous. $	Jan.-Apr.	27,579	.....	17.9
REAL ESTATE RESALES					
STATE: Single Family	number	Jan.-Mar.	738	.....	15.1
Average Price	dollars	Jan.-Mar.	217,194	.....	32.8
Condominium	number	Jan.-Mar.	1,050	.....	31.4
Average Price	dollars	Jan.-Mar.	121,182	.....	11.7
OAHU: Single Family	number	Jan.-Mar.	476	.....	21.4
Average Price	dollars	Jan.-Mar.	253,329	.....	31.1
Condominium	number	Jan.-Mar.	760	.....	26.0
Average Price	dollars	Jan.-Mar.	117,376	.....	15.9
MAUI CO.: Single Family	number	Jan.-Mar.	116	.....	31.8
Average Price	dollars	Jan.-Mar.	196,240	.....	45.6
Condominium	number	Jan.-Mar.	225	.....	65.4
Average Price	dollars	Jan.-Mar.	132,153	.....	1.4
HAWAII: Single Family	number	Jan.-Mar.	105	.....	−14.6
Average Price	dollars	Jan.-Mar.	110,744	.....	16.3
Condominium	number	Jan.-Mar.	38	.....	52.0
Average Price	dollars	Jan.-Mar.	136,477	.....	56.3
KAUAI: Single Family	number	Jan.-Mar.	41	.....	7.9
Average Price	dollars	Jan.-Mar.	129,567	.....	−6.0
Condominium	number	Jan.-Mar.	27	.....	−22.9
Average Price	dollars	Jan.-Mar.	114,707	.....	12.8

n.a. = not available.

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population in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1, 1986	1,176.7	.....	2.1
Total Resident Population	thous.	July 1, 1986	1,062.3	.....	0.8
OAHU:					
Total De Facto Population	thous.	July 1, 1985	865.1	.....	1.0
Total Resident Population	thous.	July 1, 1985	814.6	.....	1.5
MAUI COUNTY:					
Total De Facto Population	thous.	July 1, 1985	115.5	.....	0.4
Total Resident Population	thous.	July 1, 1985	85.3	.....	2.2
HAWAII:					
Total De Facto Population	thous.	July 1, 1985	115.8	.....	2.2
Total Resident Population	thous.	July 1, 1985	109.2	.....	1.9
KAUAI:					
Total De Facto Population	thous.	July 1, 1985	55.6	.....	1.8
Total Resident Population	thous.	July 1, 1985	44.8	.....	1.4
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1, 1986	1,004.2	.....	0.7
MILITARY PERSONNEL:					
STATE	number	July 1, 1986	58,584	.....	1.0
Ashore	number	July 1, 1986	53,616	.....	−0.4
Afloat	number	July 1, 1986	4,968	.....	19.5
CIVILIAN MILITARY DEPENDENTS	number	July 1, 1986	66,210	.....	3.0
FOREIGN IMMIGRATION[1]	number	Jan.-Apr.	2,007	.....	8.3

p = preliminary.
[1]Includes only those entering Honolulu ports and does not include status changes.

income in hawaii

INCOME					
TOTAL PERSONAL INCOME**	mil. $	4th Qtr.	15,906p	0.9	6.3
EMPLOYMENT INCOME[1]	mil. $	4th Qtr.	12,240p	1.5	7.5
Manufacturing	mil. $	4th Qtr.	571p	6.3	7.3
Construction & Mining	mil. $	4th Qtr.	959p	10.0	27.9
Wholesale	mil. $	4th Qtr.	461p	0.2	1.5
Retail	mil. $	4th Qtr.	1,337p	1.0	3.8
Finance, Ins., & Real Estate	mil. $	4th Qtr.	897p	2.3	13.8
Trans., Comm., & Util.	mil. $	4th Qtr.	986p	0.6	5.7
Services	mil. $	4th Qtr.	3,012p	0.9	8.7
Farm & Other	mil. $	4th Qtr.	330p	−13.4	0.9
Federal Civilian	mil. $	4th Qtr.	992p	0.3	2.5
Federal Military	mil. $	4th Qtr.	1,362p	0.5	0.4
State & Local	mil. $	4th Qtr.	1,333p	2.3	9.2
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	4th Qtr.	2,229p	−1.5	1.8
TRANSFER PAYMENTS (2,243) minus Personal Contributions for Social Insurance (806)	mil. $	4th Qtr.	1,437p	−0.3	3.6
STATE	dollars	1985	13,542p	.....	3.8
Oahu	dollars	1984	13,709p	.....	5.7
Maui County	dollars	1984	11,611p	.....	5.9
Hawaii	dollars	1984	9,998p	.....	5.2
Kauai	dollars	1984	10,564p	.....	6.9

**Total personal income and all components are seasonally adjusted at annual rates.
[1]Includes wage and salary disbursements, proprietors' income, and other labor income.
p = preliminary.

launch facilities will need substantial military orders to make operations worthwhile. But, if the shuttle resumes regular flights, it will gobble up most of the military payload market.

The immediate question is: will there be enough demand to support commercial launch facilities estimated to be operating in the next three to five years. According to the U.S. Department of Transportation, commercial demand for rocket-launch facilities will grow over the next several years because of current demand combined with a backlog developed while the space shuttle and the French Ariane rockets were grounded.

However, the Department of Transportation also warned that the market may be overestimated in the long run as a result of the heavy short-term demand. It also estimates that there will be as many as six companies involved in commercial launch services over the next few years. But, once the backlog is worked off, those ranks will thin. Based on a forecast funded by NASA, it is estimated that 12 to 16 payloads will need commercial launch facilities on a yearly basis.

In addition, the Federation of American Scientists doubts that there will be enough sustained demand to support a significant worldwide launch industry. There are now about 1,500 satellites of all kinds in various orbits above the earth. The communications-satellite business is estimated to be nearly 50 percent over capacity, and the satellite market for telephone and television communications is already fairly well saturated.

However, according to Transpace Carriers, Inc. much of what is already up there will need to be replaced, and some 120 commercial satellites will be looking for lifts between now and 1992. Also, with the increased number of operational launch facilities, space launch prices should decline markedly. This could spark demand for low-price payloads that would normally be unaffordable. In the future there could be everything from personal communication satellites to final resting places in space for a loved one's ashes.

The market could ultimately enter into a price war between competitors. This would not be new to Hawaii. In the last twenty years, Hawaii has invested billions of dollars in its visitor industry with the confidence that its comparative advantage would attract tourists from all over the world. The investment has indeed paid off several times over. But, there are questions concerning Hawaii's comparative advantage in building a spaceport on the Big Island.

AWAIIAN BANK

Hawaii certainly has a number of logistical advantages, some of which are:

1. Its wide range of potential launch azimuths (directions), including a northern and southern polar orbit launch without overflying populated areas;
2. Its close proximity to the equator providing greater rocket fuel efficiency;
3. Its mild year round temperatures;
4. The possibility of low-cost land acquisition, if C. Brewer's donation of land in Ka'u is utilized for the launch site; and,
5. The availability of labor, community facilities, and some communication and transportation infrastructure already in place.

However, Hawaii also has its share of logistical disadvantages. For example:

1. Construction costs in Hawaii are about 1.4 times higher than on the mainland;
2. The distance from the continental U.S. would make shipping of satellites risky and costly. It would also make shipping of Heavy-Lift Launch Vehicles (HLLV) difficult, if not impossible; and,
3. Geological conditions on the Big Island could make ground stability a problem.

Unfortunately, other obstacles could stand in the way of a Hawaiian spaceport. For example, commercial insurance is extremely difficult to obtain for the coverage of satellite launchings. If insurance companies do eventually insure satellite launchings they will definitely impose very strict criteria, possibly favoring certain launch locations over others. Another obstacle is the potential for legal opposition similar to that which opposed construction of the H-3 project. This would seriously impair Hawaii's ability to compete because of the importance of timing in the marketplace.

Further opposition can also be expected from the 1,800 native Hawaiians on the Big Island waiting for 11,000 acres of homestead lots on and around the proposed spaceport site. The launch facility itself is estimated to require 3,000-5,000 acres. Combined with a ten-mile buffer zone, the total area required could exceed 50,000 acres or 80 square miles.

During the past state legislative session, a bill was passed appropriating $250,000 for a Hawaii spaceport feasibility study. This study is scheduled to be completed this summer, and will most likely consider the obstacles cited

employment and jobs in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
EMPLOYMENT					
STATE:					
Civilian Labor Force	thous.	March	495.2p	1.6	2.0
Employment	thous.	March	476.1p	2.0	3.3
Unemployment	thous.	March	19.1p	−5.9	−22.7
Unemployment Rate	percent	March	3.9p	−7.1	−23.5
OAHU:					
Civilian Labor Force	thous.	March	372.2p	2.0	2.2
Employment	thous.	March	358.9p	2.2	3.2
Unemployment	thous.	March	13.3p	−4.3	−19.4
Unemployment Rate	percent	March	3.6p	−5.3	−20.0
MAUI COUNTY:					
Civilian Labor Force	thous.	March	49.3p	0.2	3.6
Employment	thous.	March	47.4p	1.1	5.6
Unemployment	thous.	March	2.0p	−13.0	−25.9
Unemployment Rate	percent	March	4.0p	−13.0	−29.8
HAWAII:					
Civilian Labor Force	thous.	March	50.6p	0.8	0.8
Employment	thous.	March	47.7p	1.5	2.8
Unemployment	thous.	March	2.9p	−9.4	−23.7
Unemployment Rate	percent	March	5.7p	−9.5	−25.0
KAUAI:					
Civilian Labor Force	thous.	March	23.1p	0.9	−0.9
Employment	thous.	March	22.1p	1.4	2.3
Unemployment	thous.	March	0.9p	−10.0	−47.1
Unemployment Rate	percent	March	4.1p	−6.8	−44.6
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	March	496.2p	1.3	4.5
SUGAR (Mill and Field)	thous.	March	7.0p	−0.7	−5.4
PINEAPPLE (Cannery and Field)	thous.	March	3.7p	2.8	1.4
DIVERSIFIED MANUFACTURING					
(Excluding Sugar and Pineapple)	thous.	March	16.7p	−0.3	0.3
Durable Goods	thous.	March	3.9p	−1.3	11.6
Non-Durable Goods	thous.	March	12.8p	0.0	−2.7
Apparel and Textiles	thous.	March	3.1p	0.0	−11.4
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	March	7.9p	0.6	2.6
CONTRACT CONSTRUCTION	thous.	March	21.6p	0.2	31.0
TRANSPORTATION	thous.	March	24.5p	−0.2	−1.0
COMMUNICATION	thous.	March	7.2p	0.0	−0.7
UTILITIES	thous.	March	2.7p	1.9	8.2
RETAIL TRADE	thous.	March	100.3p	1.1	3.5
WHOLESALE TRADE	thous.	March	19.4p	0.3	−0.3
FINANCE, INSURANCE AND REAL ESTATE	thous.	March	33.3p	0.5	2.9
HOTEL SERVICES—STATE	thous.	March	30.1p	−0.3	7.1
Oahu	thous.	March	16.9p	−0.9	2.7
Maui County	thous.	March	6.7p	0.0	14.5
Hawaii	thous.	March	4.1p	0.0	15.7
Kauai	thous.	March	2.5p	0.0	6.5
OTHER SERVICES	thous.	March	92.7p	1.1	8.9
FEDERAL GOVERNMENT	thous.	March	32.0p	−0.2	−0.2
Civilian Agencies	thous.	March	12.0p	−0.4	3.9
Defense Department	thous.	March	20.0p	−0.3	−2.7
STATE GOVERNMENT	thous.	March	52.6p	2.7	3.1
COUNTY GOVERNMENT	thous.	March	12.9p	0.4	2.4
NON-AGRICULTURE SELF-EMPLOYED	thous.	March	32.2p	9.7	3.0
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	March	7,357	−2.2	−23.6
INTRASTATE INITIAL CLAIMS	number	Jan.-Mar.	13,343	.....	−18.6
INTERSTATE INITIAL CLAIMS	number	Jan.-Mar.	902	.....	−12.5
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	Jan.-Mar.	11,779	.....	−21.3

p=preliminary.
[1]Count of recipients is duplicated. A person may be counted in each category.

public assistance in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
INCOME MAINTENANCE:					
Recipients*	no./persons	March	48,355	−7.3	−13.1
Payments	thous. $	Jan.-Mar.	21,798	.....	−6.2
MEDICAL ASSISTANCE:					
Recipients*	no./patients	April	44,849	−4.3	−1.8
Payments	thous. $	Jan.-Apr.	52,687	.....	15.8
FOOD STAMPS:					
Recipients*	no./persons	February	86,174	−1.2	98.8
Payments	thous. $	Jan.-Feb.	14,391	.....	−4.3
SERVICES:					
Recipients*	no./cases	4th Qtr.	7,608	−4.2	1.2
Payments	thous. $	Yr. to 4th Qtr.	17,991	.....	15.8

Count of recipients is duplicated. A person may be counted in each category.

banking and finance in hawaii

FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	March	8,792.6	2.6	16.2
Debits To Demand Deposits	mil. $	March	9,778.6	.....	22.5
OAHU:					
Total Deposits	mil. $	March	7,303.3	2.2	16.8
Debits To Demand Deposits	mil. $	March	8,779.7	.....	21.8
MAUI COUNTY:					
Total Deposits	mil. $	March	586.8	5.0	18.3
Debits To Demand Deposits	mil. $	March	462.5	.....	41.7
HAWAII:					
Total Deposits	mil. $	March	601.8	1.4	8.3
Debits To Demand Deposits	mil. $	March	361.4	.....	17.1
KAUAI:					
Total Deposits	mil. $	March	261.6	−4.3	0.0
Debits To Demand Deposits	mil. $	March	175.1	.....	23.5
BANK LOANS OUTSTANDING — STATE*	mil. $	4th Qtr.	5,062.7	6.5	9.7
Real Estate	mil. $	4th Qtr.	2,099.3	4.8	11.6
Consumer	mil. $	4th Qtr.	1,085.0	1.7	2.9
Commercial & Industrial	mil. $	4th Qtr.	1,468.5	9.6	9.8
Other	mil. $	4th Qtr.	328.7	19.8	−3.6
CONVENTIONAL HOME MORTGAGE RATES: HONOLULU SAVINGS & LOAN ASSOCIATIONS*	percent	February	9.2	−2.1	na
TOTAL DEPOSITS	mil. $	January	3,559.4	0.0	12.6
TOTAL LOANS	mil. $	January	93.1	−52.8	49.0
MORTGAGE LOANS	mil. $	January	72.7	−58.6	41.7
TAX COLLECTIONS:*					
STATE	thous. $	Jan.-Mar.	441,251	39.7	14.8
Oahu	thous. $	Jan.-Mar.	382,010	39.5	15.6
Maui County	thous. $	Jan.-Mar.	26,546	43.0	16.9
Hawaii	thous. $	Jan.-Mar.	23,227	39.0	8.4
Kauai	thous. $	Jan.-Mar.	9,466	42.7	−5.0

Figures contain domestic balances only.
Includes Hawaii and Guam. Reporting categories changed in July, 1985.
Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

in detail, as well as other concerns such as: (1) the environmental impact in terms of the effect of aluminum oxide and hydrochloric acid pollution from rocket emissions; (2) whether Hawaii County has the roads, water supply, and other public facilities to support a launch facility; (3) the effects of a launch facility on the local population, in terms of jobs, lifestyle; and (4) property risks, catastrophic risks, and the possibility that the required infrastructure will actually downgrade current living conditions rather than upgrade them.

Moreover, a lot will depend on the level of international support Hawaii receives during an upcoming Pacific Basin Space Conference scheduled for this summer in Kona. Since it would be very difficult for Hawaii or any single Pacific Basin country to compete in the international market on their own, cooperation will be a key factor in justifying future development.

The primary goal of the conference should be to unite the Pacific Basin towards the common goal of developing a highly competitive space center in the Pacific, rather than touting prospective individual sites. If a consortium of interested countries were agreed upon, then a joint study could be made by these countries to determine the most mutually advantageous site for the new space center.

It is too early to say whether a space launch facility is in Hawaii's best interest or not. Recent industry events certainly indicate that the timing is right. But, it may be wise for Hawaii to thoroughly examine all of the pertinent facts before making any commitments.

Because of the high degree of risk attached to this project, it will most likely provoke a strong conflict between the public interests of the community-at-large, and local community concerns. There will also be special-interest groups that will fight the proposed launch facility. However, sacrifices will most likely have to be made for the good of the entire state and for all concerned.

Most people would agree that a space launch facility could be a tremendous boost to our economy. A launch facility would also do much to relieve the state's dependency on the visitor industry. For these reasons, it is important to maintain an open mind while awaiting the completion of the state sponsored feasibility study and the Pacific Basin Space Conference. Before then, it would be premature to judge the relative merits associated with the development of a new spaceport facility in Hawaii.

ECONOMIC INDICATORS

A Bimonthly Report on Current Economic Conditions in Hawaii
by the Research Department, First Hawaiian Bank
P.O. Box 3200; Honolulu, Hawaii; 96847

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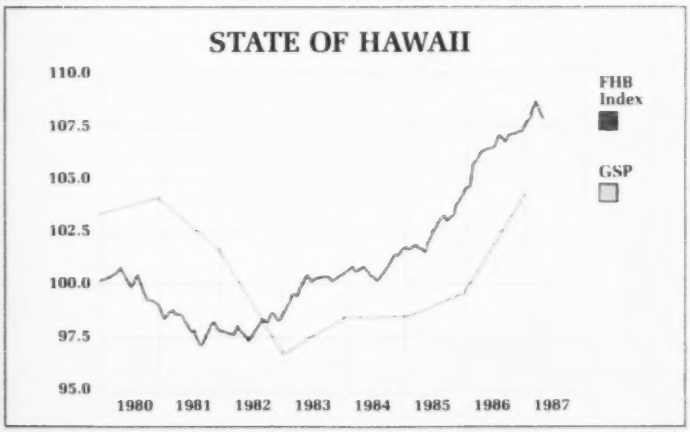

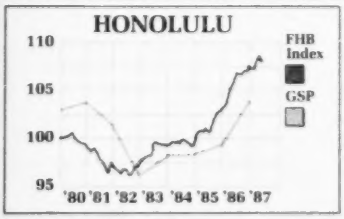

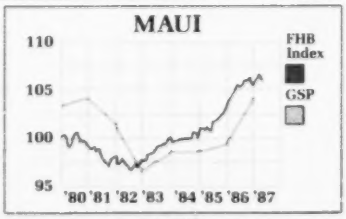

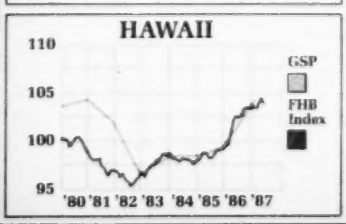

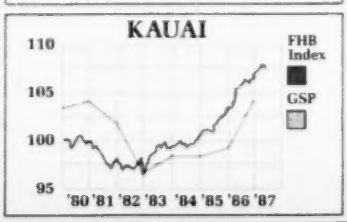

FIRST HAWAIIAN BANK INDEX OF LEADING ECONOMIC INDICATORS

First Hawaiian Bank is proud to inaugurate a new Index of Leading Economic Indicators for the State of Hawaii and its counties. Since the 1930s, indexes of leading economic indicators have been used to guide the economic decisions of business leaders and policy makers. The First Hawaiian Bank Index, shown in brown on each graph, is designed to signal changes in the direction of future aggregate economic activity with an average lead time of six months. For the purpose of comparing the index with actual economic activity, gross state product, adjusted for inflation, is shown in yellow on each graph. The statistical indicators used in the index include data on worker productivity, employment, visitor counts, construction, inflation, interest rates, corporate earnings, money supply, and financial activity. The index for the State of Hawaii showed a 0.6 percent increase in the first quarter of 1987 indicating moderate growth through 1987. The index will be updated in each bi-monthly issue.

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ECONOMIC INDICATORS

Research Department, First Hawaiian Bank | July/August 1987

The Impact of Declining Defense Spending in Hawaii

For over fifty years, federal defense spending has played a significant role in the development of Hawaii's economy. Important military establishments dot the islands and serve as visible evidence of their economic and social impact. Hawaii is the location of the Unified Command Headquarters for the Pacific and the headquarters of the U.S. Navy Pacific Fleet, the Fleet Marine Force, the U.S. Army, and U.S. Air Force, the site of the Kaneohe Marine Corps Air Station, and the 14th Coast Guard District. The Army and Air National Guard, as well as an Army Reserve Corps augmentation, also call Hawaii their home base. Total military personnel in Hawaii number 58,584 persons. Military dependents total another 66,210 persons. Together, military-related persons in Hawaii came to 12 percent of Hawaii's total resident population in 1986.

Defense expenditures in Hawaii, in inflation-adjusted 1967 dollars, averaged $640 million per year for the last twenty years, only fluctuating an average of 3 percent between 1971 and 1981. Then, in 1983, during the height of the Reagan administration's military build-up, defense expenditures in the state increased to a record $706 million, a 10-percent increase over the twenty year average.

For the past three years, military expenditures have declined in real terms. The state is currently receiving 3 percent less defense income than the twenty-year average, or roughly the same amount as it did in 1976. These facts raise the questions: what effect has the recent decline in defense spending had on the state economy; and, can the state expect more of the same in the future?

To answer these questions, we need to examine the different ways in which defense spending affects the state economy. Military purchases of local goods and services is the most important source of economic activity in the state. Expenditures of department of defense personnel pay also stimulate economic activity through direct retail sales. In addition, both military purchases of goods and services and military and civilian defense payrolls generate multiplier effects throughout the economy. Dependents of military personnel stationed in Hawaii also become part of the civilian labor force, and contribute to consumer expenditures in the state. Finally, there is the indirect effect of military spending on private investment, as well as state and county services.

Military and civilian defense payroll expenditures affect the state economy primarily through the purchase of local goods and services. This category declined by 2 percent from $1.48 billion to $1.45 billion between 1985 and 1986. Since Department of Defense personnel, on the average, spend about one-third of their gross income on local goods and services, the result was a decrease of roughly $9 million in local business in 1986.

Fluctuations in Department of Defense civilian payrolls affect the state economy in terms of employment. For example, employment decreased approximately 2 percent from 20,750 in 1985 to 20,350 in 1986, a decline of 400 jobs.

Defense expenditures on supplies, equipment, and services from local businesses have the largest impact on the state economy and were the hardest hit by the recent reductions. Expenditures in this category fell by 37 percent, or $157 million, from $578 million in 1985 to $421 million in 1986. Estimates of the multiplier effect for this category show that for each dollar spent by the military on supplies, equipment, and services, an additional 55 cents in terms of new income is realized by the state. So, the 1985 to 1986 reductions in contract purchases of supplies, equipment, and services of $157 million is estimated to have resulted in a $243 million reduction in income to the state.

Another aspect of the overall decline in defense spending is the shift in its importance relative to other sectors of the economy. The tourism industry first surpassed the military as the number one contributor to the state economy in 1972. Since then, tourism has grown by two and a half times, while defense spending in the state has been fairly constant. Other state industries, such as construction and agriculture, have also grown much faster than defense spending. As a result, the proportionate contribution of defense spending to gross state product has decreased from 25 percent in 1966 to 10 percent in 1986.

The outlook for defense expenditures in Hawaii is very difficult to estimate at the present time. Three important determining factors will be: the defense policy of the new administration to be elected in 1988; the likelihood of defense cuts if a balanced budget amendment is passed; and the potential implications of the Gramm-Rudman budget deficit cuts. Because Hawaii is expected to remain a strategic location vital to national defense, the probability of any drastic future defense spending reductions in Hawaii is remote. Nevertheless, in the face of dynamic growth in other sectors in the economy, and in the absence of renewed growth in military expenditures, the impact of the military sector on Hawaii's economy can be expected to continue its declining trend.

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JULY/AUGUST 1
FEATURE STORY:
THE COFFEE INDUSTRY IN HAWAII

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CURRENT BUSINESS TRENDS

The Hawaiian economy grew at an impressive rate through the first half of the year, despite mixed numbers from some of its major industries. State gross business receipts, through May, stood at $12.4 billion, up 14 percent from the same period last year. For the state, diversified manufacturing, wholesaling, and service-industry tax-base sales were up by 15 percent through May from the same period last year. Retailing and diversified agriculture sales were up by 11 and 9 percent, respectively, through May, while auto sales fell off by 4 percent.

As of May, the cumulative number of visitors staying overnight or longer stood at 2.3 million, the same level as 1986. Of the total, westbound visitors were 8 percent behind 1986, while eastbound visitors were 14 percent ahead of 1986. Westbound visitor counts on Oahu and Maui were down 5 and 8 percent respectively, while Kauai experienced no change, and the Big Isle realized a scant 1-percent increase. The sluggish performance of the visitor industry was also reflected in occupancy rates, which declined by 2 percent statewide. Honolulu and Hawaii experienced flat occupancy rates, while occupancy on Maui and Kauai fell by 10 percent and 6 percent, respectively.

Statewide, the construction industry remained robust through May, with construction-put-in-place reaching $859 million, up by 19 percent from the same period last year. The Big Isle realized the largest construction-put-in-place gain, through May, up by 31 percent from last year. Continued construction growth in the future appears likely as aggregate private permits authorized for the state increased by 12 percent from last year. Most of this private-permit growth was attributable

u. s. economic indicators

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	1st Qtr.	4,352r	2.2	4.9
In 1982 Dollars	bil. $	1st Qtr.	3,739r	1.2	2.3
PERSONAL INCOME**	bil. $	May	3,630r	0.2	4.3
INTEREST RATES					
AVERAGE PRIME RATE	percent	June	8.25	1.4	−2.9
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	April	384.1p	0.4	2.7
CONSTRUCTION COST INDEXES:					
Residences	1967 = 100	March	380.2	0.0'	2.1
Apts., Hotels, Office Bldgs.	1967 = 100	March	378.1	0.1'	2.2
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	May	112,447	0.5	3.0
UNEMPLOYMENT*	thous.	May	7,546	0.6	−10.4
UNEMPLOYMENT RATE*	percent	May	6.2	0.0	−12.7
PRICES					
CONSUMER PRICE INDEXES:					
Wage Earners and Clerical Workers	1967 = 100	May	333.4	0.2	3.7
All Urban Consumers	1967 = 100	May	338.7	0.3	3.8
PRODUCER PRICE INDEXES:					
Finished Goods*	1967 = 100	March	295.0p	0.9	2.7
All Commodities	1967 = 100	February	305.1p	0.8	2.3

r = revised.
p = preliminary.
'Compared to January, 1987.
*Seasonally adjusted.
**Seasonally adjusted at annual rates.

business activity in hawaii

	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
BUSINESS SALES					
GROSS BUSINESS RECEIPTS:					
STATE	mil. $	Jan.-May	12,389.1	.....	14.0
Oahu	mil. $	Jan.-May	10,405.3	.....	14.4
Maui County	mil. $	Jan.-May	832.5	.....	7.3
Hawaii	mil. $	Jan.-May	845.4	.....	21.8
Kauai	mil. $	Jan.-May	305.9	.....	1.4
DIVERSIFIED MANUFACTURING	mil. $	Jan.-May	253.8	.....	14.7
DIVERSIFIED AGRICULTURE	mil. $	Jan.-May	114.8	.....	10.6
RETAILING	mil. $	Jan.-May	4,368.4	.....	8.7
WHOLESALING	mil. $	Jan.-May	3,067.1	.....	18.5
SERVICES	mil. $	Jan.-May	2,993.2	.....	14.2
OAHU NEW CAR SALES	number	Jan.-May	14,649p	.....	−3.8
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX:					
Wage Earners and Clerical Workers	1967 = 100	May	320.3e	0.4'	4.6
All Urban Consumers	1967 = 100	May	312.6e	0.3'	4.5
TOURISM					
VISITOR EXPENDITURES	mil. $	1986	5,550	.....	15.3
OVERNIGHT OR LONGER VISITORS	number	May	435,940p	3.1	−3.7
	number	Jan.-May	2,298,160p	.....	0.0
Westbound	number	May	321,530p	−0.4	−8.1
	number	Jan.-May	1,719,860p	.....	−3.9
Eastbound	number	May	114,410p	14.6	11.3
	number	Jan.-May	578,300p	.....	13.7
AVERAGE DAILY VISITOR CENSUS	number	Jan.-May	116,670p	.....	−3.2
AVERAGE LENGTH OF STAY	no. of days	Jan.-May	10.2p	.....	0.0
MEETING ATTENDANCE	number	May	28,170	.....	−10.3
ORGANIZED GROUP TOURS	number	Jan.-May	334,630p	.....	−15.5
VISITOR COUNT BY COUNTY*:					
Oahu	number	May	233,600p	2.5	−8.2
	number	Jan.-May	1,227,260p	.....	−5.2
Maui County	number	May	144,620p	−1.9	−11.5
	number	Jan.-May	786,970p	.....	−7.5
Hawaii	number	May	59,180p	1.2	−1.4
	number	Jan.-May	343,790p	.....	1.1
Kauai	number	May	79,670p	−0.6	−8.3
	number	Jan.-May	420,770p	.....	0.3

p = preliminary.
e = estimated.
'Compared to estimated April, 1987.
*Estimated Westbound.

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
VISITOR ACCOMMODATIONS					
STATE	number	Feb., 1987	65,318	.....	−1.5
Oahu	number	Feb., 1987	38,815	.....	−0.5
Waikiki	number	Feb., 1987	34,014	.....	−1.8
Maui (Island)	number	Feb., 1987	13,264	.....	−1.4
Molokai	number	Feb., 1987	575	.....	−9.4
Lanai	number	Feb., 1987	10	.....	0.0
Hawaii	number	Feb., 1987	7,328	.....	0.7
Kauai	number	Feb., 1987	5,956	.....	0.6
HOTEL OCCUPANCY					
STATE	percent	May	77.0p	1.6	−1.7
		Jan.-May	83.1p	.....	−1.9
Oahu	percent	May	80.4p	0.8	−0.1
		Jan.-May	87.5p	.....	−0.3
Maui (Island)	percent	May	75.8p	0.3	−10.4
		Jan.-May	79.7p	.....	−9.7
Hawaii	percent	May	60.1p	5.3	3.6
		Jan.-May	67.2p	.....	−0.1
Kauai	percent	May	76.5p	9.3	−5.1
		Jan.-May	76.3p	.....	
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS, TOTAL	mil. $	1st Qtr.	468.4	.....	−1.9
Military Payroll	mil. $	1st Qtr.	213.3	.....	4.7
Civilian Payroll	mil. $	1st Qtr.	141.9	.....	−1.4
Local Purchases	mil. $	1st Qtr.	113.1	.....	−12.7
SUGAR					
VALUE OF CROP SALES					
(Unprocessed Cane)	mil. $	1985	222.4	.....	−13.2
SUGAR PRODUCTION	thous. tons	Jan.-May	288.1	.....	−8.7
AVERAGE N. Y. RAW SUGAR PRICE	$/ton	Jan.-May	435.4	.....	4.9
PINEAPPLE					
VALUE OF CROP SALES					
(Fresh Equivalent)	thous. $	1985	90.5	.....	0.7
SHIPMENTS, FRESH	thous. lbs.	Jan.-June	117,711	.....	−1.9
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	1985	132,126	.....	12.6
FLOWERS & NURSERY PRODUCTS	thous. $	1985	44,247	.....	13.7
Anthurium Outshipments	th. dozens	Jan.-May	580.1	.....	−10.5
Potted Foliage Plants	thous. $	1985	12,019	.....	19.6
FRUITS & NUTS	thous. $	1985	43,244	.....	9.7
Papaya Sales	th. lbs.	Jan.-May	19,685	.....	−7.9
Average Farm Price	cents/lb.	May	26.0	4.0	23.8
Macadamia Nut Sales (in shell)	th. lbs.	1986	44,000	.....	4.8
Average Farm Price	cents/lb.	1986	80.0	.....	10.3
VEGETABLES AND MELONS*	th. lbs.	Jan.-May	27,525	.....	0.5
LIVESTOCK	thous. $	1985	82,821	.....	−4.8
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Mar.	8,501	.....	−3.1
Average Farm Price (Feedlot Beef)	cents/lb.	March	84.5	−0.6	8.3
HOG PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-May	2,618	.....	3.5
Average Farm Price[a]	cents/lb.	May	103.0	1.0	−1.0
MILK PRODUCTION	mil. lbs.	Jan.-May	68.5	.....	2.4
Average Price Sold to Plants	$/100 lbs.	May	19.74	0.8	−0.1
EGG PRODUCTION	mil.	Jan.-May	93.9	.....	−2.5
Average Farm Price	cents/doz.	May	82.0	1.2	3.8
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	Jan.-May	3038.3	.....	2.0
GAS SALES	th. therms.	Jan.-May	21,486	.....	4.3
TELEPHONE LINES IN SERVICE	thous.	Jan.-May	487.8	.....	4.0

p = preliminary.
[a]From Hawaii County.
*Includes snap beans, cabbage, celery, sweet corn, cucumbers, onions, green peppers, tomatoes, and watermelons.

to residential permits, up by 32 percent, while non-residential permits declined by 14 percent.

In agriculture sugar production totalled 288,080 tons, through May, off by 9 percent from last year's mark. Sugar prices, on the other hand, advanced to a three-year high of $441 per ton, offsetting the decline in production.

The pineapple industry's sluggishness continued through May, with fresh pineapple shipments amounting to 96,364,000 pounds, a 5-percent decline over the same period last year. However, employment in the cannery and pineapple fields, through May, increased by 5 percent over the previous year, indicating industry optimism.

Overall, diversified agriculture has done relatively poorly through the first half of 1987. Although employment in the industry maintained the same level as last year, most categories lost substantial ground. Anthurium outshipments decreased by 7 percent through April, with a total of 450,300 dozens being exported. Papaya sales decreased by 8 percent for the year, while the average farm price increased by 24 percent. Vegetables and melons experienced a slight increase of about 1 percent through the first five months of 1987.

The livestock industry experienced mixed numbers through the first quarter. Beef production amounted to 8,501,000 dressed-weight pounds, a decrease of 3 percent from the first quarter of 1986, while the average price for feedlot beef increased by 8 percent to 84.5 cents per pound. Hog farmers experienced just about the opposite, with hog production increasing by 4 percent, and the average farm price decreasing by 3 percent to 103 cents per pound.

The two-year boom in the sales of existing real estate properties showed no signs of slowing through the first half of the year. Through June, resales of single-family homes increased by 31 percent, while resales of condominiums increased by 51 percent from the same period last year. The rapid price increases that have accompanied this resale boom have not wavered either. The average price of a single-family home increased by 5 percent in June to $245,113, while the average condominium price increased by 2 percent to $125,015 in June.

On the financial side, total bank deposits in the state, through May, increased to $8.8 billion, up by 17 percent from the same period last year. In addition, per capita personal income in the state increased by 6 percent in 1986 to $14,691. Both of these factors indicate a high degree of liquidity, necessary to fuel future economic expansion.

THE COFFEE INDUSTRY IN HAWAII

Commercial coffee cultivation in Hawaii is as old as the sugar industry, both having started in the 1830s. Sugar spread from Kauai to the other major islands and became Hawaii's largest agricultural industry. Coffee also spread from Kauai to the other islands, but given stringent world competition, cultivation languished, and the industry retreated to a small area of Kona. It was only due to the superior gourmet quality of the coffee that it was able to survive years of adversity.

However, while sugar acreage has been declining for over two decades, coffee has found new life in Hawaii. Improved marketing has increased returns to growers during the past several years, and for the first time in decades, growers are finding it profitable to expand acreage and invest in the proper maintenance of their orchards.

Not only is acreage increasing in Kona, but large tracts of land elsewhere are being put into coffee. Some even feel that coffee has the potential to replace sugar as the major agricultural crop in Hawaii.

Coffee was first planted in Hawaii in 1817 by Don Francisco de Paula Martin. There are two coffee species: robusta that grows in the lowlands; and arabica, which does best in elevations around 1,000 feet or more. Several varieties of arabicas are grown in Hawaii. The first coffee plantations were started in 1835 on Kauai, where cultivated orchards increased to 1,000 acres by 1840.

Coffee became an export item in 1845. Up to then, this commodity was consumed locally or sold to whaling ships that called here regularly. Soon coffee was grown on all the major islands, and by 1850, there were two large plantations and many small farms growing this crop in Kona. However, fluctuations in the world price of coffee, to which local production was tied, caused volatile fluctuations in acreage. Large plantations could not exist in this economic climate. It became apparent that only a family-type operation could survive this feast or famine environment because of their ability to control labor costs. Thus, the pattern for the development of the coffee industry in Kona was set.

Around the time of Hawaii's annexation by the United States, high coffee prices attracted speculators seeking quick profits. Total coffee acreage shot up to 14,000 acres, probably the record high for Hawaii. But, these large operations could not survive the uncertainties of the world coffee market. By the time

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
CONSTRUCTION PUT IN PLACE					
STATE	thous. $	Jan.-May	858,956	.....	19.4
Oahu	thous. $	Jan.-May	745,486	.....	18.7
Maui County	thous. $	Jan.-May	44,136	.....	23.6
Hawaii	thous. $	Jan.-May	50,728	.....	31.3
Kauai	thous. $	Jan.-May	18,606	.....	11.7
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	May	373.4	−0.2	1.8
HIGH-RISE	1967 = 100	May	387.9	−0.3	0.7
PRIVATE PERMITS AUTHORIZED					
STATE RESIDENTIAL	thous. $	Jan.-Apr.	250,597	.....	36.7
Single Family Units	number	Jan.-Apr.	2,063	.....	64.9
Multiple Family Units	number	Jan.-Apr.	389	.....	−72.3
NONRESIDENTIAL	thous. $	Jan.-Apr.	129,302	.....	−17.5
OAHU RESIDENTIAL	thous. $	Jan.-May	184,049	.....	28.2
Single Family Units	number	Jan.-May	1,175	.....	84.2
Multiple Family Units	number	Jan.-May	276	.....	−80.8
NONRESIDENTIAL	thous. $	Jan.-Apr.	79,479	.....	3.6
MAUI CO. RESIDENTIAL	thous. $	Jan.-Apr.	40,967	.....	51.4
Single Family Units	number	Jan.-Apr.	408	.....	45.7
Multiple Family Units	number	Jan.-Apr.	160	.....	196.3
NONRESIDENTIAL	thous. $	Jan.-Apr.	12,336	.....	27.5
HAWAII RESIDENTIAL	thous. $	Jan.-May	32,793	.....	23.9
Single Family Units	number	Jan.-May	521	.....	17.3
Multiple Family Units	number	Jan.-May	2	.....	−75.0
NONRESIDENTIAL	thous. $	Jan.-May	15,980	.....	−64.1
KAUAI RESIDENTIAL	thous. $	Jan.-May	24,994	.....	71.4
Single Family Units	number	Jan.-May	232	.....	51.6
Multiple Family Units	number	Jan.-May	3	.....	—
NONRESIDENTIAL	thous. $	Jan.-May	20,430	.....	−45.7
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS					
STATE	thous. $	Jan.-June	186,574	.....	−3.4
Oahu	thous. $	Jan.-June	139,056	.....	−4.1
Maui County	thous. $	Jan.-June	14,080	.....	−48.3
Hawaii	thous. $	Jan.-June	17,539	.....	9.7
Kauai	thous. $	Jan.-June	15,900	.....	223.0
BY LEVEL OF GOVERNMENT					
Federal	thous. $	Jan.-June	30,678	.....	26.3
State	thous. $	Jan.-June	86,532	.....	−10.4
County	thous. $	Jan.-June	69,454	.....	−3.8
REAL ESTATE RESALES					
STATE Single Family	number	Jan.-June	1,808	.....	30.8
Average Price	dollars	Jan.-June	231,071	.....	25.9
Condominium	number	Jan.-June	2,659	.....	50.7
Average Price	dollars	Jan.-June	125,694	.....	13.5
OAHU Single Family	number	Jan.-June	1,228	.....	32.2
Average Price	dollars	Jan.-June	270,374	.....	29.4
Condominium	number	Jan.-June	2,032	.....	52.9
Average Price	dollars	Jan.-June	122,083	.....	16.6
MAUI CO. Single Family	number	Jan.-June	235	.....	38.2
Average Price	dollars	Jan.-June	188,190	.....	10.3
Condominium	number	Jan.-June	451	.....	53.4
Average Price	dollars	Jan.-June	142,698	.....	−3.8
HAWAII Single Family	number	Jan.-June	271	.....	19.9
Average Price	dollars	Jan.-June	112,075	.....	13.3
Condominium	number	Jan.-June	88	.....	37.5
Average Price	dollars	Jan.-June	140,680	.....	78.9
KAUAI Single Family	number	Jan.-June	78	.....	36.8
Average Price	dollars	Jan.-June	143,072	.....	−1.2
Condominium	number	Jan.-June	88	.....	12.8
Average Price	dollars	Jan.-June	126,029	.....	27.7

n.a. = not available.

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population in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
POPULATION					
STATE:					
Total De Facto Population		July 1, 1986	1,176.7p	.....	2.1
Total Resident Population		July 1, 1986	1,062.3p	.....	0.8
OAHU:					
Total De Facto Population		July 1, 1986	865.1p	.....	1.0
Total Resident Population		July 1, 1986	818.3p	.....	0.5
MAUI COUNTY:					
Total De Facto Population		July 1, 1986	115.5p	.....	0.4
Total Resident Population		July 1, 1986	87.3p	.....	2.3
HAWAII:					
Total De Facto Population		July 1, 1986	115.8p	.....	2.2
Total Resident Population		July 1, 1986	110.2p	.....	0.9
KAUAI:					
Total De Facto Population		July 1, 1986	55.6p	.....	1.8
Total Resident Population		July 1, 1986	46.4p	.....	3.6
CIVILIAN RESIDENT POPULATION:					
STATE		July 1, 1986	1,004.2p	.....	0.7
MILITARY PERSONNEL:					
STATE		July 1, 1986	58,584	.....	1.0
Ashore		July 1, 1986	53,616	.....	−0.4
Afloat		July 1, 1986	4,968	.....	19.5
CIVILIAN MILITARY DEPENDENTS		July 1, 1986	66,210	.....	3.0
FOREIGN IMMIGRATION*		Jan.-June	3,085	.....	2.8

p = preliminary.
*Includes only those entering Honolulu ports and does not include status changes.

income in hawaii

INCOME					
TOTAL PERSONAL INCOME**	mil. $	4th Qtr.	15,906p	0.9	6.3
EMPLOYMENT INCOME*	mil. $	4th Qtr.	12,240p	1.5	7.5
Manufacturing	mil. $	4th Qtr.	571p	6.3	7.3
Construction & Mining	mil. $	4th Qtr.	959p	10.0	27.9
Wholesale	mil. $	4th Qtr.	461p	0.2	1.5
Retail	mil. $	4th Qtr.	1,337p	1.0	3.8
Finance, Ins., & Real Estate	mil. $	4th Qtr.	897p	2.3	13.8
Trans., Comm., & Util.	mil. $	4th Qtr.	986p	0.6	5.7
Services	mil. $	4th Qtr.	3,012p	0.9	8.7
Farm & Other	mil. $	4th Qtr.	330p	−13.4	0.9
Federal Civilian	mil. $	4th Qtr.	992p	0.3	2.5
Federal Military	mil. $	4th Qtr.	1,362p	0.5	0.4
State & Local	mil. $	4th Qtr.	1,333p	2.3	9.2
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	4th Qtr.	2,229p	−1.5	1.8
TRANSFER PAYMENTS (2,243) minus Personal Contributions for Social Insurance (806)	mil. $	4th Qtr.	1,437p	−0.3	3.6
PER CAPITA PERSONAL INCOME:					
STATE	dollars	1986	14,691p	.....	6.1
Oahu	dollars	1984	13,709p	.....	5.7
Maui County	dollars	1984	11,611p	.....	5.9
Hawaii	dollars	1984	9,998p	.....	5.2
Kauai	dollars	1984	10,564p	.....	6.9

**Total personal income and all components are seasonally adjusted at annual rates.
*Includes wage and salary disbursements, proprietors' income, and other labor income.
p = preliminary.

HAWAIIAN BANK

of the Great Depression in 1929, only family farms were holding on. Large growers had fallen by the wayside in the boom-to-bust slide of the price cycle.

During this period of slack demand only the coffee grown in Kona had sufficient quality high enough to meet the reduced needs of the market. Plantings were abandoned in other areas of the Big Island and on the other islands.

After World War II, world coffee prices began to climb again, and as expected, acreage increased. The price of green coffee went from 25 cents a pound for the 1947-48 crop to 66 cents a pound in 1956-57. Acreage peaked from 3,400 in 1946 to 6,800 by 1958, the highest since the early part of this century. A steady decline followed and reached bottom with 1,800 acres in the 1981-82 crop year. Since then plantings have been expanding with the growing popularity of Kona coffee, until total coffee acreage reached 2,300 acres in 1986. A continuing increase is forecast, and large-scale commercial plantings are planned outside of Kona for the first time in many years.

The first coffee variety grown in Kona was called bourbon from Brazil. Growers found this variety unsuited for Kona because of its cycle of good crops followed by mediocre crops. In 1891, a Guatemalan type of arabica (tipica) was tried in Kona from plantings in Kukaiau on the Hamakua Coast. It did well, and to this day, it is the predominant variety grown in Kona.

The industry has been beset with low prices for years. After Statehood, many growers supplemented their income by planting macadamia-nut trees among the coffee. Although macadamia nuts brought growers higher returns in the beginning, the situation changed with the entry of Superior Coffee and Foods/Hawaii into the marketing scene. Its plan to market Kona as a gourmet coffee appeared risky at first, but Superior Coffee Co.'s parent company, the Sara Lee Corporation, imports, roasts, and distributes 50 million pounds of coffee annually. Hawaii's two million pounds of Kona coffee is but a small proportion of the company's total sales.

Superior Coffee's monopoly of the Kona coffee crop was broken in 1980 with the entry of United Coffee Corp., a San Francisco-based company. It purchases cherry coffee from farmers and processes them at its plant in Holualoa. Today, there are seven processors, who buy their cherry coffee from growers or produce part of the inventory themselves.

Now plans are afoot to try coffee in areas outside of Kona. Alexander & Baldwin Inc. and Amfac are reportedly testing various coffee varieties for possible plantings on their sugar, or other lands that might support this crop.

The most significant move so far is the decision by Hawaii Guarani Plantations Inc. (dba Coffees of Hawaii) to put 800 acres of former pineapple land leased from Molokai Ranch Co. into coffee. The company feels Molokai can produce a good quality of coffee. Seeds were secured from Kona, and seedlings are being propagated in a nursery on Molokai. Transplanting is scheduled to begin in September, and continue through March of next year.

The company believes the coffee will be of good quality because a test planting of 200 trees at Maui Tropical Plantation has produced several crops. The first crop was average, but the second crop produced good coffee. This was encouraging because Maui Tropical Plantation is at an elevation of only 375 feet. The species robusta, which is used mainly as filler coffee, is grown in elevations up to 500 feet in West Africa, Brazil, and Indonesia. But, better grade coffee such as arabica, of which Kona is one variety, thrives at a higher elevation, like the coffee belt along the 1,000-foot elevation of Kona. Kualapuu, Molokai, where the first plantings will be, is at approximately the same elevation.

Not only is Hawaii Guarani forecasting a good quality coffee on Molokai, but high yields as well. Plantings from 1,300 to 1,600 trees per acre are planned, compared to 900 in Kona, and 1,000 to 2,000 in Brazil. Yield is expected to be much higher than the 1,000 pounds of green coffee per acre Kona produced this past year.The reasons for such a big difference in productivity are: more trees per acre; the rich soil of Molokai; and high-tech harvesting methods.

Also, Hawaii Guarani is looking at a coffee harvester, developed in Brazil and perfected in Australia, that can cover more than 100 acres a day. This harvester picks only ripe coffee cherries, which improves yield. It also has the capability to prune and spray the trees, and to pulp the coffee cherries in the harvester. The seeds come out ready to be dried into parchment coffee. Since only ripe cherries are picked, the weight loss from removal of pulp is reduced. This harvester will also be less labor intensive than the Kona operation.

Hawaii Guarani already has a contract with Superior Coffee, which will take the first two million pounds, yearly, of

employment and jobs in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
EMPLOYMENT					
STATE					
Civilian Labor Force	thous.	May	505.3p	0.9	2.4
Employment	thous.	May	484.8p	0.8	4.3
Unemployment	thous.	May	20.5p	3.0	−14.6
Unemployment Rate	percent	May	4.1p	2.5	−16.3
OAHU					
Civilian Labor Force	thous.	May	378.9p	0.7	3.2
Employment	thous.	May	378.9p	4.4	3.2
Unemployment	thous.	May	13.5p	0.7	−16.1
Unemployment Rate	percent	May	3.6p	0.0	−18.2
MAUI COUNTY					
Civilian Labor Force	thous.	May	50.6p	1.2	6.5
Employment	thous.	May	48.0p	0.4	6.4
Unemployment	thous.	May	2.6p	18.2	8.3
Unemployment Rate	percent	May	5.1p	15.9	0.0
HAWAII					
Civilian Labor Force	thous.	May	52.1p	2.0	2.0
Employment	thous.	May	48.6p	1.3	3.4
Unemployment	thous.	May	3.5p	9.4	−14.6
Unemployment Rate	percent	May	6.6p	6.5	−16.5
KAUAI					
Civilian Labor Force	thous.	May	23.7p	1.7	3.5
Employment	thous.	May	22.7p	2.7	5.6
Unemployment	thous.	May	1.0p	−16.7	−28.6
Unemployment Rate	percent	May	4.2p	−17.6	−32.3
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	May	499.6p	0.4	4.6
SUGAR (Mill and Field)	thous.	May	7.1p	0.7	−4.7
PINEAPPLE (Cannery and Field)	thous.	May	4.0p	2.6	−2.4
DIVERSIFIED MANUFACTURING					
(Excluding Sugar and Pineapple)	thous.	May	16.7p	−0.3	0.6
Durable Goods	thous.	May	3.9p	1.3	14.7
Non-Durable Goods	thous.	May	12.8p	−0.8	−2.7
Apparel and Textiles	thous.	May	3.1p	0.0	−11.4
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple but Including Agricultural Self-Employed)	thous.	May	8.1p	5.2	1.9
CONTRACT CONSTRUCTION	thous.	May	21.9p	1.4	31.9
TRANSPORTATION	thous.	May	24.6p	−0.2	0.4
COMMUNICATION	thous.	May	7.2p	0.0	0.7
UTILITIES	thous.	May	2.7p	0.0	8.2
RETAIL TRADE	thous.	May	99.3p	−0.3	2.5
WHOLESALE TRADE	thous.	May	19.5p	0.3	−1.3
FINANCE, INSURANCE AND REAL ESTATE	thous.	May	33.5p	0.4	3.2
HOTEL SERVICES—STATE	thous.	May	30.1p	−0.5	7.5
Oahu	thous.	May	16.9p	−0.9	3.7
Maui County	thous.	May	6.7p	−0.7	12.6
Hawaii	thous.	May	4.1p	0.0	17.4
Kauai	thous.	May	2.5p	2.1	6.5
OTHER SERVICES	thous.	May	93.4p	0.6	10.3
FEDERAL GOVERNMENT	thous.	May	32.1p	0.3	0.3
Civilian Agencies	thous.	May	12.1p	0.4	3.9
Defense Department	thous.	May	20.0p	0.3	−2.4
STATE GOVERNMENT	thous.	May	52.4p	−0.9	2.9
COUNTY GOVERNMENT	thous.	May	13.0p	0.0	2.4
NON-AGRICULTURE SELF-EMPLOYED	thous.	May	34.6p	5.0	1.9
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT					
(Weekly Average)	number	May	6,943	−2.6	−18.8
INTRASTATE INITIAL CLAIMS	number	Jan.-May	22,897	.....	−17.4
INTERSTATE INITIAL CLAIMS	number	Jan.-May	1,380	.....	−18.1
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	Jan.-May	19,661	.....	−21.9

p = preliminary.
*Count of recipients is duplicated. A person may be counted in each category.

public assistance in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
INCOME MAINTENANCE					
Recipients[1]	no./persons	May	50,710	−1.8	−8.1
Payments	thous. $	Jan.-May	36,128	.....	−7.1
MEDICAL ASSISTANCE					
Recipients[1]	no./patients	May	48,872	9.0	−4.3
Payments	thous. $	Jan.-May	68,721	.....	10.5
FOOD STAMPS					
Recipients[1]	no./persons	April	85,987	0.9	−6.6
Payments	thous. $	Jan.-Apr.	28,653	.....	−4.0
SERVICES					
Recipients[1]	no./cases	1st Qtr.	7,489	−1.6	−3.9
Payments	thous. $	1st Qtr.	4,874	.....	14.8

[1]Count of recipients is duplicated. A person may be counted in each category.

banking and finance in hawaii

FINANCE					
COMMERCIAL BANK DEPOSITS					
STATE					
Total Deposits	mil. $	May	8,800.0	0.2	15.2
Debits To Demand Deposits	mil. $	May	10,123.1	.....	24.0
OAHU					
Total Deposits	mil. $	May	7,374.0	0.4	15.8
Debits To Demand Deposits	mil. $	May	9,198.8	.....	25.1
MAUI COUNTY					
Total Deposits	mil. $	May	560.5	−2.1	15.9
Debits To Demand Deposits	mil. $	May	400.4	.....	15.6
HAWAII					
Total Deposits	mil. $	May	588.1	−1.4	10.4
Debits To Demand Deposits	mil. $	May	353.8	.....	12.6
KAUAI					
Total Deposits	mil. $	May	277.2	0.7	7.2
Debits To Demand Deposits	mil. $	May	170.2	.....	14.5
BANK LOANS OUTSTANDING—STATE	mil. $	1st Qtr.	5,230.9	3.3	10.8
Real Estate	mil. $	1st Qtr.	2,190.6	4.3	16.4
Consumer	mil. $	1st Qtr.	1,037.0	−4.4	−1.7
Commercial & Industrial	mil. $	1st Qtr.	1,559.8	6.2	16.6
Other	mil. $	1st Qtr.	297.0	−9.6	−12.9
CONVENTIONAL HOME MORTGAGE RATES, HONOLULU					
SAVINGS & LOAN ASSOCIATIONS	percent	May	10.9	13.5	9.0
TOTAL DEPOSITS	mil. $	March	3,517.8	0.6	−2.5
TOTAL LOANS	mil. $	March	121.0	20.0	82.8
MORTGAGE LOANS	mil. $	March	109.7	39.9	99.8
TAX COLLECTIONS[3]					
STATE	thous. $	May	194,509	16.6	31.6
Oahu	thous. $	May	167,792	15.3	32.3
Maui County	thous. $	May	12,942	78.1	16.6
Hawaii	thous. $	May	10,881	28.3	59.5
Kauai	thous. $	May	2,894	−47.3	−5.2

[redacted]

[1]Figures contain domestic balances only.
[2]Includes Hawaii and Guam. Reporting categories changed in [redacted]
[3]Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

the Molokai production. The agreement calls for Hawaii Guarani to produce a mild arabica. There is no way to forecast the flavor until the first few crops are harvested, processed, and tasted. If taste and flavor meet with Superior's approval, Hawaii Guarani will probably expand plantings to at least 3,000 acres, subject to negotiations with Molokai Ranch. It is estimated that Molokai has 40,000 acres of land good for coffee growing. Up to 300,000 acres might be suitable for coffee throughout the state, but only 100,000 of those acres are prime coffee lands, and they are now mainly in sugarcane and pineapple. Some of that land will require irrigation.

Superior roasts a huge amount of coffee annually, and it could possibly take all of Hawaii's expanded production if the coffee meets its specifications. If the sugar industry continues to decline, it is quite possible to see coffee expand to 50,000 acres by 1995. If the coffee is of the right quality, Superior could use the non-Kona production for its annual requirements in place of imports. Hawaii would be a more stable source of supply. Japanese distributors have already asked Superior to supply the non-Kona grade of coffee when production permits.

Kona coffee farmers are doing well. The successful promotion of their coffee as a specialty product has increased demand. From the production of 1.7 million pounds of parchment coffee in the 1978-79 season, the output for the 1986-87 season is forecasted to increase to 2.9 million pounds (parchment basis). The price for parchment coffee has increased from $1.26 per pound in 1978-79 to $3 per pound in the present fiscal year.

To protect their brand, Kona farmers have organized the Kona Coffee Council to set and maintain high standards of quality. Processor members of the council include Bong Brothers Coffee Co., Hing's Coffee Co., Kona Kai Farms, and the Pacific Coffee Cooperative. The council represents about 75 percent of Kona's production and acts in behalf of growers and processors in the promotion of Kona coffee as a premium-grade product.

In conclusion, in spite of the coffee industry's contraction to the prime growing area of Kona over the past decades, the industry is now expanding to other parts of the state. Mechanization, rigid quality control in processing, and sharp marketing are expected to make coffee into a crop that could surpass sugar in a few decades.

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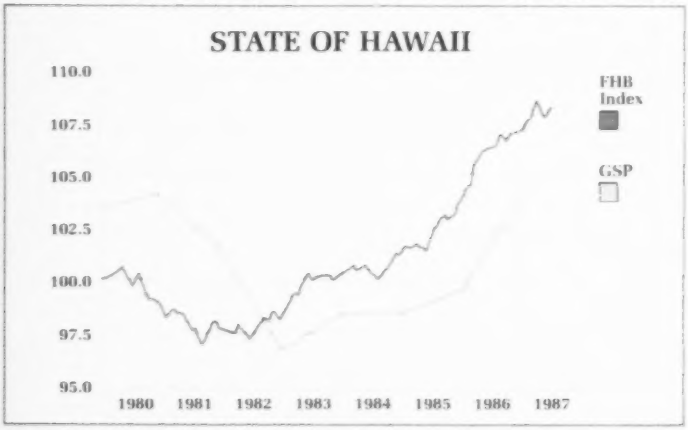

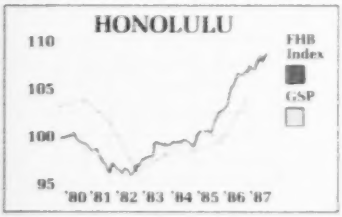

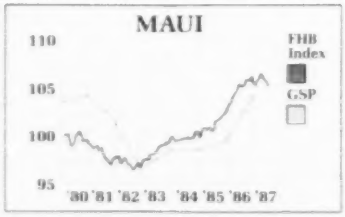

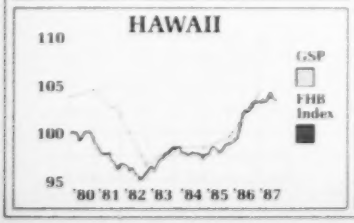

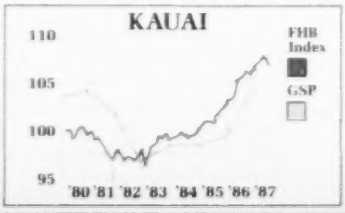

FIRST HAWAIIAN BANK INDEX OF LEADING ECONOMIC INDICATORS

The First Hawaiian Bank Index of Leading Economic Indicators showed a 0.5 percent increase over the first five months of 1987, indicating continuing moderate growth for the year for the State of Hawaii. However, county-by-county analyses show that the neighbor-island economies may be looking forward to slower growth in 1987. Only Honolulu maintained an overall positive growth outlook with upward movement in average workweek hours, corporate profits, and public contracts awarded. On the negative side, Honolulu was affected by higher consumer prices, falling visitor counts, and declining building permits. Maui County realized slight gains in building permits, but suffered heavy losses in visitor counts and public contracts awarded. On the Big Island, building permits and public contracts were down, while visitor counts and credit demand increased marginally. For Kauai County, building permits were on the increase, but visitor counts and employment figures were on the decline.

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